OF JORDAN

Can the UK compete?
The search for a successful model
Page 18

Jumping the queue
Plastic cards in Russian banks
Page [illegible]

A city revived
Milan revels in good news
Page 14

Crimean Crisis
Peninsula in dispute
Page 3

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY MAY 24 1994 — D8523A

China eases credit to assist ailing state enterprises

China's senior vice-premier in charge of the economy, Zhu Rongji (left), has signalled an easing of tight restrictions on lending to ailing state enterprises and has appealed for greater efforts to increase grain and cotton production. His remarks, published on the front pages of China's main newspapers, indicate growing official anxiety over labour unrest in cash-starved state factories and reflect worries about a serious shortfall in cotton production accompanied by signs of growing agitation among peasants. Page 16

Yeltsin acts to revive reform: Russian president Boris Yeltsin, seeking to revive economic reform, scrapped quotas and licences for oil and gas exports from July 1 and offered a three-year tax holiday to foreign investors in the manufacturing sector. Page 16

British Airways reported a 63 per cent rise in pre-tax profits to more than £300m ($450m) for the year to March, but warned it might have to make provisions on a £275.3m investment in USAir, its troubled US partner. Page 17; Lex, Page 16; The USAir shadow, Page 27

Hopes rise in US-Japan trade talks: US and Japanese officials went into their fifth day of trade talks in Washington amid expectations that they were headed towards agreement on at least some of their disputes. Page 16; Japanese buying more foreign cars, Page 6

Attack prompts Ulster security review: Britain and the Irish Republic are to review security co-operation after a failed weekend bomb attack in Dublin claimed by unionist paramilitary grouping, the Ulster Volunteer Force. Page 7

Boeing, world's largest manufacturer of commercial aircraft, forecast demand for new airliners worth $980bn in the next 20 years to meet the growth in air travel and the need of airlines to replace older jets. Page 6

Nintendo profits fall: Weak consumer spending and the sharp appreciation of the yen ended the spectacular rise of Nintendo, Japanese video games maker, which reported a sharp drop in sales and pre-tax profits. Page 17

Call to improve aid programmes: An evaluation of international aid by London-based charity Actionaid has sharply criticised tied aid and says only 6.5 per cent of aid is spent on meeting the needs of the poorest. Page 4

Hungary's Matav float blocked: Deutsche Telekom and Ameritech, the German and US telecoms companies, have blocked the Hungarian government's plans to float national telecoms utility Matav on the Budapest stockmarket. Page 17

UN to monitor Haiti sanctions: A team of United Nations observers has arrived in the Dominican Republic to monitor the country's adherence to tighter economic sanctions against neighbouring Haiti. Page 5

Congress to debate Bosnia arms ban: The House of Representatives today debates a resolution requiring the US to stop enforcing the United Nations arms embargo against former Yugoslavia and to supply weapons to the Bosnian Moslem government. Page 5

Greece to part-sell state telecoms: Greece's socialist government announced the partial privatisation of state telecommunications company OTE in a move apparently aimed at restoring confidence to local financial markets. Page 2

Oil exports cut UK deficit: A jump in oil exports helped narrow the UK's visible trade deficit with countries outside the European Union to £568m ($849m) in April, compared with £686m in March. Page 8

Downer to head Australian opposition: Australia's opposition Liberal party voted to replace leader John Hewson, who led the party to a surprise defeat in last year's elections, with shadow treasurer Alexander Downer. Page 4

Thai tunnel theft: Thieves in Bangkok made off with 2.5m baht ($100,000) from a branch of the Thai Military bank after crawling 600 metres along a drainpipe from the Chao Phraya river and then taking at least a week to dig a 15 metre tunnel into the bank's vault.

STOCK MARKET INDICES		
FT-SE 100:	3,108.4	(-18.9)
Yield	3.74	
FT-SE Eurotrack 100	1,448.42	(-8.45)
FT-SE-A All-Share	1,586.58	(-0.5%)
Nikkei	20,588.71	(+225.54)
New York: lunchtime		
Dow Jones Ind Ave	3,735.84	(-31.31)
S&P Composite	452.93	(-1.99)
US LUNCHTIME RATES		
Federal Funds:	4¼%	
3-mo Treas Bills: Yld	4.25%	
Long Bond	86½	
Yield	7.379%	
LONDON MONEY		
3-mo Interbank	5⅛%	(5⅛%)
Liffe long gilt future:	Jun 105⅜	(Jun106⅝)
NORTH SEA OIL (Argus)		
Brent 15-day (July)	$16.40	(16.405)
Gold		
New York Comex (June)	$389.9	(386.5)
London	$387.75	(384.2)

STERLING		
New York lunchtime:		
$	1.5065	
London:		
$	1.5064	(1.5098)
DM	2.4780	(2.4856)
FFr	8.4763	(8.4994)
SFr	2.1217	(2.1214)
Y	157.263	(156.883)
£ Index	78.7	(79.8)
DOLLAR		
New York lunchtime:		
DM	1.6422	
FFr	5.62875	
SFr	1.40435	
Y	104.235	
London:		
DM	1.6485	(1.6463)
FFr	5.627	(5.6295)
SFr	1.4085	(1.4051)
Y	104.40	(103.910)
$ Index	65.2	(65.1)
Tokyo close Y 104.3		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000
						UAE	Dh12.00

Ukraine and Russia fail to agree on Crimea

By Jill Barshay in Kiev and John Lloyd in Moscow

Talks between the Russian and Ukrainian prime ministers yesterday failed to resolve the growing crisis in the Ukrainian region of Crimea, but were due to resume today with the participation of a senior official from Crimea itself.

The talks in Moscow, prompted by fears that constitutional changes made by the Crimean regional parliament last week could draw Russia and Ukraine into conflict, had apparently made little headway. Ukraine sees growing secessionist sentiment in the pro-Russian Crimean parliament as a direct challenge to its sovereignty over the peninsula.

Mr Mykhalo Mykhalchenko, domestic policy adviser to the Ukrainian president Mr Leonid Kravchuk, said last night that there was no possibility that the Ukrainian government would agree even to a federal arrangement with Crimea, let alone a near-independent status.

"We are not a federal state like Russia – we are a unitary state. We do not sign treaties with our regions," Mr Mykhalchenko said.

However, there was a concession to Crimea's status implicit in its inclusion in today's talks. Mr Yevgeny Saburov, the Crimean vice-president and a former

Inching towards the chasm in Crimea ....Page 3
Editorial Comment ....Page 15

Russian finance minister and government adviser was called to Moscow last night.

The move appeared to show the relative weakness of Ukraine in the talks, which are attempting to settle the ownership of the Crimea-based Black Sea naval fleet. The agenda includes economic co-operation between Crimea and Russia, and also Crimea's decision last Friday to adopt a virtually independent constitution, creating a Crimean citizenship and deciding to conduct relations with Kiev by treaty.

Mr Douglas Hurd, the British foreign secretary, who is in Moscow for talks with the country's leaders, said last night he had been assured by Mr Andrei Kozyrev, his Russian counterpart, that Crimea's status as part of Ukraine was not in doubt.

"We also said that this should be handled in accordance with the principles of the Conference of Security and Co-operation in Europe, of which we are all members – and that this would exclude the use of force," Mr Hurd said.

A report that some 20 Ukrainian armoured personnel carriers had been sent to a position near the Crimean capital of Simferopol was confirmed yesterday by the Crimean authorities – though they said it was a "normal" movement of armour.

At the same time, a spokesman for the extreme Ukrainian nationalist UNA-Unso group in Lviv, in western Ukraine, said that some 200 volunteers were being despatched to Crimea to help secure it as part of Ukraine.

Negotiations will start today in Kiev between senior parliamentarians from Crimea and their opposite numbers in the Ukrainian parliament, the prospects for agreement are poor.

Boost for Kohl as Herzog wins presidency

By Quentin Peel in Berlin

Mr Roman Herzog, president of the German constitutional court, was yesterday elected as the next president of Germany, in spite of a split within the ranks of the ruling coalition.

After three rounds of voting in the 1,320-strong federal assembly, Mr Herzog, 60, the country's most senior judge and a member of Chancellor Helmut Kohl's Christian Democratic Union, emerged with a clear victory over Mr Johannes Rau, the Social Democrat prime minister of the state of North Rhine-Westphalia.

The final count of 696 votes to 605 in the German Reichstag building in Berlin cleared the way for Mr Herzog to succeed President Richard von Weizsäcker in the largely ceremonial, but very visible and symbolic post of head of state on July 1.

His victory will give an important boost to the electoral hopes of Mr Kohl's CDU, and the Bavaria-based Christian Social Union, its conservative sister party, for the coming European and national elections, as well as 14 other state and local polls.

However, it only came about after a split within the ranks of the Free Democratic party, the minority liberal party in the ruling coalition, which saw two-thirds of the party voting for Mr Herzog, and one-third for Mr Rau.

Mr Herzog, a Bavarian Protestant with a reputation as an independently minded conservative, both as a constitutional lawyer and former interior minister, gave a tearful acceptance speech after his election as the first German president to be elected in a united federal assembly.

"We never thought that such a moment would have been possible again in our lives," he said, reminding his audience that

German judge who defies the laws of politics ....Page 2

when the last west German president was elected in Berlin, in 1969, the East German communist government closed the border in protest.

He appealed to both east and west Germans to overcome the barriers between them in the process of unification.

"I will do everything possible to be the federal president of all Germans," he said. "There are many barriers in our state and our society which we must overcome. But there is an enormous amount in common which binds us all."

He called on west Germans to make further material sacrifices for the sake of unification, saying they amounted to "compensation for the injustice of world history" which left Germany divided at the river Elbe.

The final outcome of the vote was not in doubt once the division in the ranks of the FDP became clear. The 109-strong party group split 69 to 40 in favour of Mr Herzog. The CDU/CSU candidate had a clear lead in all three rounds of voting, but lacked the absolute majority needed to be elected in the first two rounds.

Ugandan fisherman pile up some of the thousands of corpses which have floated downriver into Lake Victoria from the killing fields in neighbouring Rwanda. Local residents claim as many as 50 bodies an hour are washing up on Ugandan shores, prompting the country's government to appeal yesterday for international help to pull the corpses out. Reuter

Sandoz to buy Gerber for $3.7bn

By Ian Rodger in Zurich and Richard Tomkins in New York

Gerber Products, by far the biggest maker of baby food in the US, announced yesterday that it had agreed to a $3.7bn cash bid from Sandoz, the Swiss pharmaceuticals and chemicals group.

The price offered – equivalent to $53 per Gerber share, more than 50 per cent above the level at which the stock closed on Friday – surprised Wall Street analysts and appeared to be pitched at a level intended to ward off other bidders.

It also brought excitement to the US food manufacturing sector, recently depressed over the sales outlook for higher-priced branded goods. Shares of other food companies such as Hershey Foods, CPC International and Quaker Oats rose sharply. Gerber's shares were up $15⅝ at $50¼ on the New York Stock Exchange at midday.

Sandoz's bid comes only three weeks after its Basle-based neighbour, Roche, offered a similarly stylish $5.3bn in cash for Syntex, a US pharmaceuticals group. Both Swiss groups have strong net cash positions.

Gerber's sales have been flat in recent years, reflecting a decline in US birth rates. Mr Alfred Piergallini, Gerber's chairman and chief executive, said the board had agreed to the merger because the company's best source of future sales growth lay overseas.

For Gerber to exploit the international prospects alone would require heavy investment over many years, Mr Piergallini said, but joining with Sandoz would provide Gerber with ready-made distribution channels in most big international markets.

Sandoz already has a large nutrition business, built around Ovaltine and Isostar drinks, various health foods and clinical

Continued on Page 16
Lex, Page 16
Grown-up step into baby food market, Page 17

Fox's $500m TV deal boosts challenge to main networks

By Patrick Harverson in New York

Mr Rupert Murdoch's plan to challenge the supremacy of the big three US television networks took another step forward yesterday.

His Fox television unit announced an alliance with the entertainment group New World Communications that will provide Fox with up to 12 new local television stations across the US.

Mr Murdoch trumpeted the deal as the "greatest realignment of television station affiliations in the 60-year history of American broadcasting". It involves Fox investing $500m in New World in return for a stake of 20-25 per cent in New World and an agreement that as many as 12 New World stations will change their affiliations to Fox from ABC, CBS or NBC.

Although Fox already has relationships with television stations in the cities where the New World affiliates operate, it said the 12 New World stations all had larger shares of their local markets. Once the deal is completed, Fox will have 184 affiliate stations in the US. In comparison, the established networks, ABC, CBS and NBC, each have more than 200 affiliates.

Under the agreement, Fox will work alongside New World developing syndicated programmes for both group's affiliates and prime-time television series and movies for the Fox network. The deal is the latest development in Mr Murdoch's long-running battle to build Fox into a nationwide network capable of competing with ABC, CBS and NBC.

When he set up Fox in 1987 with a handful of affiliate stations, industry observers doubted whether it would ever seriously challenge the established networks. But since then, it has expanded rapidly, and claims coverage of 95 per cent of the total national television market.

Although Fox's ratings share of the national market began to decline in 1992, it has continued to pursue growth opportunities.

It scored a notable coup last December when it outbid two of the three networks to win the rights to broadcast the National Football Conference of American football, the country's most popular televised sport.

Fox's victory was not only a blow for CBS, which had previously broadcast NFC games, and the other networks, but the four-year $1.6bn deal ensured it would be in a stronger position to compete with two new national networks being planned by Paramount Communications, which was recently bought by Viacom, and by Time Warner.

The news of the deal with Fox lifted New World Communications's stock $1⅛ to $10⅝ on the Nasdaq stock market. Shares in News Corporation, Fox's parent, rose $⅝ to $52⅝ on the New York Stock Exchange.

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CONTENTS

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NEWS: EUROPE

German judge who defies the laws of politics

President Roman Herzog is both a hardliner and a liberal, writes **Quentin Peel**

Mr Roman Herzog, who last night emerged victorious as Germany's new federal president, is a man of surprising contrasts.

For a start, as president of the constitutional court in Karlsruhe – and therefore the country's most senior judge – he is neither ponderous nor humourless. Although he sometimes looks alarmingly fierce in his photographs, he is noted far more for his homely wisecracks and capacity for self-mockery.

He came to the court from Baden-Württemberg, where he had enjoyed the reputation of a hardline conservative as minister of the interior – and promptly put his signature on a string of liberal constitutional judgments.

He is in many ways a typical bluff Bavarian, born in the heart of the fiercely independent "free state" at Landshut 59 years ago. Yet he belongs to the minority Protestant church there, not the dominant Roman Catholic majority.

His southern German style could hardly have made him more of a contrast to his principal opponent in the presidential race, Mr Johannes Rau, the former Social Democratic party (SPD) leader and populist premier of the state of North Rhine-Westphalia. For all his popular touch, the latter tends to be a lofty moralist, a protestant preacher. As for Mr Herzog, for all his lofty legal position, he tends to present himself as one of the lads, as capable of falling by the wayside as any fellow citizen.

His tastes appear to be thoroughly popular. He allowed himself to be photographed in Bild Zeitung, the mass circulation newspaper, doing the washing up (he does not own a dishwasher). Yet he is both a classical scholar who can converse in Latin, and an expert in early Medieval history.

His nomination as presidential candidate by Chancellor Helmut Kohl's Christian Democratic Union and its Bavarian sister party, the Christian Social Union, could scarcely have been less fortunate, or more bungled.

Mr Kohl's first attempt was to promote an east German candidate, the unfortunate Mr Steffen Heitmann, the justice minister of Saxony, who proceeded to demonstrate such political naïveté and latent conservatism that he frightened off many of his potential supporters. Only when he was forced to withdraw did the CSU put forward Mr Herzog – without apparently consulting Mr Kohl. The result was continuing confusion in the ranks of the coalition, before the judge was finally confirmed as a common candidate.

Through all of this, Mr Herzog appeared unperturbed. Like Mr Kohl himself, he does not seem to need to be loved. But he was also perfectly clear that he was only prepared to stand if he had solid backing from his supporters.

He began his career as a lecturer in constitutional law at the Free University in Berlin, where he was a professor during the turbulent years around the 1968 student revolt. He was certainly no revolutionary. He proved his academic credentials as co-author of the standard commentary on the German constitution.

Mr Herzog fled Berlin for the calmer waters of the national college of administration in Speyer. It was there that he first came to the attention of Mr Kohl, who was then state premier of the Rhineland-Palatinate, and appointed this earthy but competent professor as his permanent representative in Bonn in 1973. From there it was a natural progression to becoming a full minister in neighbouring Baden-Württemberg.

When he was nominated in 1983 to become a member of the constitutional court, the liberals were alarmed and the conservatives delighted. He had gained his hardline reputation as state interior minister by ordering demonstrators (against the deployment of US Pershing missiles) to pay for the cost of policing their own demonstrations, and ordering the police to use CS gas. Yet he proved a surprisingly liberal judge, in a series of decisions on the rights of tenants, artistic freedom, and even the right to demonstrate. As the conservative Frankfurter Allgemeine Zeitung wrote disapprovingly, the reputation of his court has become almost "progressive".

As a federal president, Mr Herzog will undoubtedly create his own style. The Bavarian touch is unlikely to go down quite as easily in the international community as the aristocratic elegance of President Richard von Weizsäcker.

The greatest challenge he faces is to make himself president not just of the west Germans, in whose traditions and constitution he is so clearly expert, but also of the unsettled easterners.

But even if his election was the product of a typical bout of party-political haggling, his career suggests that he will not be answerable to anyone. He will bring the independence of the constitutional court to the federal presidency, with a touch of the common man.

Russia to explain defence doctrine to Nato

By Bruce Clark, Defence Correspondent

Nato defence ministers will today hear out the co-operation ideas of General Pavel Grachev, their Russian counterpart, amid charges from a prestigious think-tank that the alliance is mistakenly appearing to pander to Moscow.

The general will lay out Russia's military doctrine, which has been published only in part, and explain Moscow's terms for a more elaborate form of co-operation than the Nato-designed Partnership for Peace programme.

Nato has made clear that whatever other arrangements it makes with Moscow, Russia must sign the same basic documents as the 18 countries which already adhere to the PFP.

However, Moscow has baulked at the idea of being treated in the same way as its former "satellites" in the Warsaw pact.

It remains to be seen whether Moscow's latest formula – a special Russia-Nato protocol either "within" PFP or in addition to it – provides the basis for a compromise.

The International Institute for Strategic Studies alleged yesterday that Nato had already made mistakes in its treatment of its erstwhile adversaries.

In its annual strategic survey, the think-tank said Nato had clumsily given the impression that its refusal to grant early entry to Poland, Hungary and the Czech Republic had been motivated by reluctance to upset Russia.

"It was one thing to agree that Russia... should have its views considered. It was another to make it appear that the west feared the strong objections expected from Moscow on this question," the survey said.

"To let it appear that the Russians exercised a veto over Nato's non-existent desire to take these [central European] countries into the fold was a mistake that should not be made again," it added.

Diplomats expect the strongest pressure for a compromise with Russia at today's meeting to come from Germany, which is keen to find a way of consolidating its ties with both Moscow and its former allies without upsetting either side.

Nato officials have discouraged suggestions of a "special relationship" with Moscow and specifically ruled out the idea of a Russian veto over Nato policy in eastern Europe – although that seems to be exactly what Moscow wants.

Mr John Chipman, the IISS director, said Nato was too concerned with shoring up its own institutional prestige as opposed to addressing real problems.

An example of this was the argument used in justifying the alliance's air strikes against the Bosnian Serbs: the raids, executed with only partial success, had been presented as "necessary to preserve the reputation of Nato".

Mr Chipman said that Nato should abandon the "romantic" notion that it could solve a wide range of security tasks and concentrate instead on the role it could perform: providing a "cheap, efficient bureaucracy" to manage its members' forces.

Strategic Survey, by the International Institute for Strategic Studies: 256 pages, published by Brassey's at £22.00 in London, $35.00 in North America.

Financial Times Correspondents in Italy, the Netherlands and Britain follow the fortunes of three candidates seeking election to the European parliament

General in the van of Forza attack

EUROPEAN ELECTIONS June 9 and 12

As befits a military man, General Luigi Caligaris began his campaign for the European parliamentary elections by studying a map of his constituency. Heading the Forza Italia list in a constituency covering the whole of northeast Italy, he needed to base himself somewhere with easy access to places as far apart as Bologna and Trieste, writes Robert Graham in Rome.

He has ended up renting offices outside Mestre in a flashy business park half empty because of the recession. Mestre, the depressing industrial adjunct of Venice, has the great advantage of being criss-crossed by a network of motorways.

"We have to cover an enormous area, nearly a quarter the size of Italy; and we are without the help of national television," says the 62-year-old general turned military analyst and commentator.

In a week he reckons to have driven almost 4,000km, grabbing little food and even less sleep. "If I wasn't trained as a soldier and didn't keep fit, I don't know how I'd cope," he says.

He has barely recovered from campaigning in the March general elections in which he was the most spectacular casualty among the Forza Italia candidates. Having cast himself as a future defence or foreign minister, Gen Caligaris failed to be elected. But, as a consolation, he has been made standard-bearer in these elections for Mr Silvio Berlusconi, the prime minister.

His campaign has been put together at high speed in mid-May helped by three full-time staff (one provided by Forza Italia from Rome), and a handful of volunteers including his picture restorer wife. He reckons to spend about L200m (£83,000) on the campaign, part supplied by Forza Italia and the rest coming from friends – often in kind, like a campaign car. The biggest cost is campaign slots on local television, the most effective means of getting his message across.

In such a diffuse constituency, the general admits it is hard to give a focus to the campaign especially when voters are apathetic in the wake of the general elections.

"There is too much toing and froing," he says, citing the frustration of driving a 400km round-trip for a poorly attended 40-minute meeting. But he is buoyed up by the support he finds for Forza Italia. "They've seen us winning and everyone now wants to jump on the bandwagon," he adds.

Forza Italia's success under the mantle of Mr Berlusconi is not without its problems. The movement encouraged people to form their own support clubs in the run-up to the general elections, and these remain autonomous, little co-ordinated and often rivals. Indeed, a new political organisation directed from Rome is being built parallel to the clubs. More than 2,000 people applied to be Forza Italia candidates in the European elections, and of the 16 selected in the general's constituency, none have had previous political experience or close dealing with Brussels.

"Explaining the real nature of the EU is not easy in Italy because Europe has been taken so much for granted. This is the first time I think any election here has begun to question the nature of our Europe," says Gen Caligaris. He denies being a Euro-sceptic; but equally he is not a Euro-enthusiast. A Euro-questioner might be a more apposite label for him and Forza Italia.

"I do not see a strong common desire for the Union – the UK is too sceptical; Italy is always too rhetorical; the Germans and French are too exclusive.... In going forward, we have to strike a compromise between full sovereignty and loss of sovereignty. The most important thing is to be clear what part of our sovereignty is worth losing."

Perhaps more important, the general believes Italy has failed to exert sufficient weight in European institutions. "Italy has lost its influence," he bemoans. He is determined to use Forza Italia's presence at Strasbourg to remedy this.

Luigi Caligaris: standard bearer in these elections for Prime Minister Silvio Berlusconi Ashley Ashwood

Dutchman speaks out for a federal Europe

Mr Laurens Jan Brinkhorst looks set to bring a reformist and unashamedly federalist Dutch voice to the European parliament, writes Ronald van de Krol in Amsterdam.

Director-general of the European Commission's environment department for the past seven years, Mr Brinkhorst says he wants to swap his executive role for a frontline place in what he describes as "the battle for Europe".

He is campaigning as No 2 on the party list for D66, a left-of-centre Dutch party that was one of the main victors of the general election three weeks ago.

If elected, Mr Brinkhorst says he will stand up for a "transparent, democratic Europe" withstanding the tendency for "the nation state [to be] on the rise again".

Before his stint as one of the most influential civil servants in Brussels, Mr Brinkhorst was the EU's ambassador to Japan. At the start of his career, he taught European law at Dutch universities before being elected to the Dutch parliament in the mid-1970s.

He now says he wants to serve in the Strasbourg assembly as a means of propounding ideas on the future of Europe.

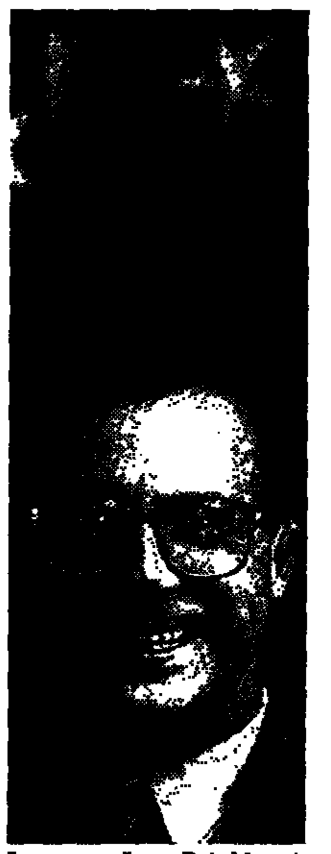
He argues that Europe is incapable of dealing with such cross-border issues as immigration and drugs, as well as the war in Bosnia, because it is still structured too much along national lines. He has no objections to being described as a "federalist". But he adds: "That does not mean that I want a centralised state with centralised authority."

He has a good chance of playing a high-profile role in the next parliament. D66, founded in 1966 as a party dedicated to reforming politics, doubled its seats in the Dutch parliament to 24 in the May general election, giving it more than one-sixth of all seats. If the same voting pattern holds true for the European election, D66 may win five out of the Netherlands' 31 European seats.

Mr Brinkhorst believes the European parliament's agenda can be too broad. "I think the parliament would do well to concentrate on a few main themes." One of these, in his view, is deepening the European Union rather than simply enlarging it to admit new members. Another priority is integrating national and European politics.

In line with D66's reformist policies, the party has proposed in the Netherlands that MEPs be given the right to speak, though not to vote, when European affairs are discussed in committee stage in the Dutch parliament.

This would help the national parliament get a grip on what is happening at the European level. But Mr Brinkhorst is well aware that the proposal is controversial. "Some MPs definitely see it as an assault on their prerogatives."



Laurens Jan Brinkhorst: wants a place in the front line

Bavarian woman aims to win the heart of England

It may seem an impossible task. But a 38-year-old farmer's daughter from Bavaria could be about to pull off one of the shock victories in Britain's Euro-elections, writes James Blitz.

Ms Gisela Gschaider, representing Labour in the seat of Worcestershire and Warwickshire, has taken advantage of a new European law allowing EU nationals to stand in any Union country.

The law has triggered a flurry of such candidates: in Germany a Dutch woman is standing for the Social Democrats and in Italy a Belgian man is standing for the Radical party. But while some of these candidates may be no-hopers, Ms Gschaider, a vivacious woman with a strong German accent, thinks she may be in with a chance of taking this newly created West Midlands seat.

"Two years ago it would have been unthinkable that Labour could win in such a traditionally Conservative region like this," she says. "But the Tories are doing so badly in opinion polls that a Labour victory is a real possibility."

Although she has lived in the UK with her English husband for 20 years, Ms Gschaider's origins have triggered controversy in an area that is the essence of "middle England". Mr John Corrie, the Conservative candidate, has openly doubted whether people would want to elect a German as their MEP. He said he hoped his Labour rival would enjoy "a short sojourn in this beautiful heart of England – until June 9".

Gisela, as the local press call her, is not perturbed. While not emphasising her nationality in the campaign, she still thinks that her background would make her a particularly affective MEP.

"People do not always understand that you cannot approach European politics from a purely national point of view," she says. "The politics of Brussels have a supra-national flavour, and countries are discredited if they just see every issue from their own point of view."

Luck is certainly on her side in this campaign. She is standing for a party deeply committed to European integration; the British Conservatives, who are sharply divided over Europe, would find it much more difficult to put forward such a candidate in a marginal seat. Nor do local people seem swayed by the anti-German jingoism fashionable in Britain's tabloid press.

But if Ms Gschaider is to win it will ultimately depend on whether the Labour party can repeat nationally the strong performance it showed in recent local elections. For the moment, its campaign managers in the West Midlands believe that the Bavarian candidate is not losing the party any votes.

Portuguese seek a scapegoat for the broken promises

Peter Wise reports on a country grown disillusioned with the idea of European integration

The campaign in Portugal for the European elections reflects a considerable cooling of the country's enthusiasm for Europe after almost two years of recession.

Defence of national interests is the dominant note in the campaigns of both the governing Social Democrats (PSD) and the opposition Socialists (PS). Two smaller groups, the right-wing CDS-PP and the communist coalition, CDU, come close to calling for Portugal to quit the European Union altogether.

As real wages decline and unemployment grows, the Portuguese are counting the cost of integration into a community they previously saw as a source of nothing but prosperity. "Europe has lost its glitter here," says a European diplomat in Lisbon. "People have grown more inward-looking as a result of the recession and political parties are adopting a more protectionist stance."

President Mário Soares, a Socialist, expressed the growing scepticism at a recent congress of government opponents, where he questioned how wisely EU funds were being spent and what would happen when the flow stopped. Agriculture and industry were suffering severely from the effects of the single market, he said, threatening to leave only services as a competitive sector. "Are we to become the waiters of Europe?" Mr Soares asked.

Early campaigning has been focused on the rural interior, where the single market and the implementation of the EU's common agricultural policy have cruelly exposed the backwardness of Portuguese farming. Mr António Campos, the PS spokesman on agriculture and a candidate in the elections, says Portuguese farmers' earnings have fallen 40 per cent over the past three years to near subsistence levels.

Farming is a sector with a political resonance in Portugal beyond its economic weight and Mr Aníbal Cavaco Silva, the prime minister, last week removed Mr Arlindo Cunha from his post as agriculture minister so he could run for the European parliament. Both main parties advocate preserving Portuguese agriculture against what is portrayed as the cold logic of a European Commission intent on converting the country's farms into forests. Both the centre-right PSD and the centre-left PS have similarly recast other European policies in a more nationalistic light in keeping with the public mood. In fact, the electorate may find it difficult to distinguish between the two parties' proposals.

Despite apprehension over the consequences of European integration, most Portuguese remain pro-European. They blame their own government more than Brussels for their current ills and the vote on June 12 will be more a verdict on Mr Cavaco Silva's domestic performance than a judgment on European policy.

In this context, the vote is a bigger test for the PS than the PSD.

Recession has produced mounting dissatisfaction with Mr Cavaco Silva, who has been in office since 1985, and the PS are currently ahead in the opinion polls with 39.4 per cent of the vote, compared with 26.2 per cent for the PSD.

But a hard-hitting, anti-government speech from Mr Soares at the opposition congress, "Portugal: What future?", has backfired on the PS by undermining the position of its leader, Mr António Guterres, and reigniting old rivalries within the party.

Discord over selecting candidates for the European elections has further detracted from the Socialists' credibility. If Mr Guterres fails to deliver a convincing victory on June 12 his leadership is likely to be challenged in a disruption that could have serious consequences for the PS in the run-up to the next general election in October 1995.

Athens to sell off 25% of Greek telecoms company

By Kerin Hope in Athens

Greece's Socialist government yesterday announced the partial privatisation of OTE, the state telecommunications company. The move appeared to be aimed at restoring confidence to local financial markets after a week of steady pressure on the drachma.

The government hopes the flotation of 25 per cent of the company on the Athens stock exchange, planned for October, will realise at least Dr250bn (£674m), with overseas investors likely to take up about half the issue.

At least 60 per cent of funds raised will go towards covering a revenue shortfall in this year's budget, estimated at Dr450bn-Dr500bn. The remainder will be used to improve OTE's ageing fixed-wire network.

The timing of the announcement reflects government anxiety over the continuing currency crisis, despite official statements to soothe fears of a devaluation. It had not been due until the government had persuaded the OTE union to give the partial privatisation its full backing.

While the union now accepts the flotation in principle, it is still demanding that most of the funds raised be reinvested in the company, "not poured into the black hole in the budget", as one prominent member said yesterday.

Mr Yannos Papantoniou, economy minister, said Credit Suisse First Boston and J.Henry Schroder Wagg would be reappointed as global co-ordinators for the issue, while National Bank of Greece, the country's largest state-controlled bank, would handle the domestic tranche.

The two international investment banks had advised the previous Conservative government last year on the disposal of 49 per cent of OTE through the sale of a strategic stake to an international telecommunications operator, to be followed by a flotation. But the agreement was suspended when the Socialists came to power last October, promising to halt privatisation.

However, the need both to reduce a soaring public sector deficit and raise funds for long-overdue modernisation of state corporations forced the government to reverse its policy two months ago.

With privatisation now high on the agenda, the government is also considering a partial flotation this year of the state-controlled corporation which controls the country's two largest oil refineries.

Pressure on the Greek currency eased yesterday, although dealers said a holiday on German financial markets was responsible rather than the government's announcement on OTE.

Short-term interest rates declined from last week's levels of more than 200 per cent, but the one-month offered rate remained at over 140 per cent. The drachma improved yesterday against the US dollar, closing at Dr245.1, against Dr247.4 on Friday.

Economists said that before interest rates could start to come down the government would have to demonstrate a firmer commitment to fiscal reform, by trimming spending and curbing tax evasion.

However, Mr Alexandros Papadopoulos, the finance minister, said yesterday that at present he had "no plans to introduce supplementary budgetary measures".

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David G.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

EUROPEAN NEWS DIGEST

Poland in debt buy-back offer

Poland has offered to buy back part of its $13bn (£8.6bn) debt at a price of between 41 US cents and 38 US cents to the dollar, in a financing plan sent out to western commercial banks at the weekend.

The buy-back offer covering 5 per cent of the amount owed is to be presented to holders of Polish debt at meetings in Frankfurt, Paris, London and New York beginning at the end of this month and Poland expects to have answers from its creditors by June 29. The framework for the proposals was negotiated last March in an agreement which foresaw an overall reduction in the debt amounting to between 42 per cent and 45 per cent. The proposals sent out see Poland issuing par and discount bonds and include provisions for the buy back as well as opening the way for debt-for-equity swaps.

The proposals have the tacit backing of the banks which negotiated the agreement. The price of Polish debt reached 39.5 cents to the dollar on the news of the proposals, up from 37 cents at the end of last week. The price of Polish debt went as high as 52 cents early this year. Mr Grzegorz Kolodko, Poland's new finance minister, said in a newspaper interview yesterday that he intended to follow up the debt reduction deal expected to be completed this autumn with "bold" proposals on swapping the remaining Polish debt for equity in state sector enterprises. *Christopher Bobinski, Warsaw.*

Bosnian Serbs remain defiant

Bosnian Serb leaders yesterday failed to honour their pledge to withdraw some 150 Serb fighters from the UN's 3km exclusion zone around Gorazde, the south-eastern Moslem enclave. Despite this breach of the UN-brokered agreement, Bosnian Serb leaders matched their defiance on the battlefield with another diplomatic offensive, saying that UN sanctions must be lifted before they would rejoin peace talks on Bosnia.

The Moslem-led Bosnian government has refused to return to the bargaining table before its Serb foes withdraw from the Gorazde exclusion zone. According to Major Rob Annink, UN spokesman in Sarajevo, Serb forces yesterday even improved their positions within the exclusion zone. Renewed Serb demands for the lifting of sanctions made the prospects for an all-party meeting even bleaker. Mr Aleksa Buha, the foreign minister of the self-styled Serb state, yesterday said: "We will seek equal conditions. All kinds of pressures must be removed, including the lifting of sanctions."

In Paris, Bosnian President Alija Izetbegovic failed yesterday to win unqualified support from representatives of French political parties for an end to the arms embargo which he says ties his government's hands. *Laura Silber, Belgrade.*

US vote, page 5

Portugal's spy chief quits in row

The head of Portugal's main intelligence service, the SIS, resigned after it emerged his agents illegally reported on politicians and investigated corruption on the island of Madeira, the government said yesterday. The interior minister, Mr Manuel Dias Loureiro, also said that the head of SIS operations in the autonomous island off the coast of Morocco had also been sacked. Mr Dias Loureiro told a news conference that an inquiry by a parliamentary commission showed the SIS in Madeira had become involved in activities beyond its charter. Mr Dias Loureiro said the head of SIS, Mr Ramiro Ladeiro Monteiro, had resigned in the light of these findings, even though he was not directly responsible for the illegal activities in Madeira. Mr João Evangilista, the head of SIS operations in Madeira, had been sacked, he added. Portugal has been swept by rumours of spying since police found a hidden microphone in the office of Mr José Cunha Rodrigues, the chief state prosecutor in Lisbon. Mr Dias Loureiro said police were still investigating that incident. *Reuter, Lisbon.*

Swiss scientists reject EU ties

Five Swiss Nobel prize-winning scientists have urged the Swiss government to reduce its contributions to European Union research projects, which they consider politically motivated and a waste of money. The demand, in an open letter, could hardly come at a worse time for Berne, which is desperately trying to restart negotiations with the EU on reciprocal airline rights among other delicate issues. The Swiss parliament is to debate a SFr554m (£258.8m) contribution to EU research, some of it for a new three-year programme, later this week. "We view the planned joining of this new EU research programme as primarily politically motivated," the scientists said. Mr Richard Ernst, Nobel laureate for chemistry in 1991 for his work on magnetic nuclear resonance and one of the signatories of the letter, was quoted as saying that Brussels-led research programmes were often amateurish and suffered from excessive administration costs. *Ian Rodger, Zurich*

Slovaks form left alliance

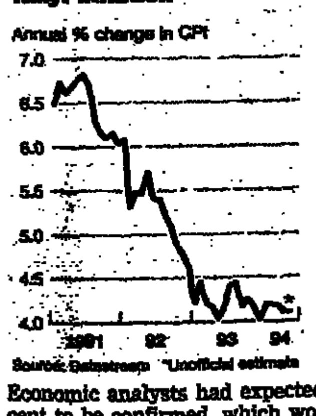
One of Slovakia's main opposition parties, the Party of the Democratic Left (SDL), moved yesterday to broaden its electoral appeal ahead of elections due in September by forming a left-wing alliance with three smaller parties. The SDL, which has 28 seats in the current parliament, is joining forces with the Green party, the Social Democratic party and the Slovak Farmers' Movement, and has pledged to make reviving the ailing Slovak arms industry a central part of its election campaign. Mr Peter Weiss, SDL chairman, said cuts in arms production since 1989 had contributed to Slovakia's growing unemployment rate. The country was one of the largest producers of weapons for the Warsaw pact countries before 1989. Mr Weiss said the new political alliance favoured maintaining Slovakia's conversion to a market economy but not one "that will ruin the environment or make the average individual suffer". *Reuter, Bratislava*

ECONOMIC WATCH

Italian inflation disappoints

Italy: Inflation

Annual % change in CPI



Source: Datastream *Unofficial estimate

Italian financial markets reacted badly yesterday to preliminary figures which indicated that inflation was not coming down as quickly as expected. Preliminary figures for May, based on data collected from nine Italian cities, indicated that retail prices would show an increase of 0.4 per cent for this month, compared with the previous year, giving an annual inflation rate of 4.1 per cent. The data, prepared by the municipality of Bologna, is normally confirmed by the state statistical institute after the end of the month. Economic analysts had expected the April increase of 0.3 per cent to be confirmed, which would have suggested an annual inflation rate of 4 per cent. Equity investors, positive about the stock market since the election of a right-wing government in Italy in March, used the news as an excuse to take profits yesterday morning. *Andrew Hill, Milan.*

■ Figures issued by the Bank of Italy revealed that the public sector deficit narrowed to L41,690bn (£17.4bn) in the first three months of the year, compared with L50,810bn in the first quarter of 1993.

■ Italy's industrial wholesale sales index rose a real 7.8 per cent in January from a year earlier, the state statistical institute, Istat, said yesterday. The January figure compared with a 5.7 per cent year-on-year increase in December 1993.

■ The Spanish insurance sector's combined premiums issued in 1993 were 10 per cent higher than the previous year at Pta2,660bn (£12.9bn), according to provisional figures released yesterday by the central government's Directorate General of Insurance.

Inching towards the chasm in Crimea

John Lloyd on the historical and political forces at play in rising tension between Russia and Ukraine

When Nikita Khrushchev handed Crimea to Ukraine in 1954 to commemorate Russian-Ukrainian friendship it was in the good old days when the Soviet party leader could simply decree the nationality of millions in a grandiose gesture. Like much else in Soviet times, the consequences must now be dealt with.

The danger in the rising tension in the Crimean peninsula is that it is a struggle not just over the control of territory but also over the fate of a heavily armed fleet; that Russia and Ukraine are proud, jealous and unused to treating each other as equals; that its aggravation is at least in part in the political interests of their leaders; and that it is a classic struggle between the principles of sovereignty and the will of the people.

Mr Khrushchev's transfer of Crimea from Russia soon after he moved from the position of first secretary of the Ukrainian Communist Party to general secretary of the Communist Party of the Soviet Union was – Russians say – always resented, though it appears the majority of the peninsula's 2.7m people voted for the independence of Ukraine in 1991, probably under the impression that life would be better.

Crimea: the past

- 1783: As part of a massive Russian expansion to the south, Catherine the Great smashes the Crimean khanate, controlled by the Tatars, and annexes the peninsula.
- 1944: Between May 18 and May 20 the entire Crimean Tatar population, some 180,000 people, is deported to central Asia to punish the Tatars for backing Hitler.
- 1954: To mark the three-hundredth anniversary of the Treaty of Pereslavl, which joined Ukraine and Russia, Soviet leader Nikita Khrushchev transfers the Crimean peninsula to the Ukrainian Soviet Socialist Republic.
- 1991: On December 1, more than 90 per cent of Ukrainians, including over half of the residents of Crimea, vote for Ukrainian independence. As Ukraine asserts its sovereignty, tensions with Russia rise.
- 1994: In January, Crimea, where ethnic Russians constitute 70 per cent of the population, elects separatist leader Yuri Meshkov as president.

By 1992, however, the Russian majority appeared to have swung away from their new "nation". The Crimean supreme soviet, to general acclaim, passed a constitution for Crimea which declared that its government enjoyed all sovereign rights except those they voluntarily delegated to Ukraine.

But under pressure from Kiev the deputies suspended the law – until, last Friday when the new parliament, with a militant majority in favour of union with Russia, unfroze it to cries from Kiev that this meant de facto independence.

Crimea is the base of the Black Sea Fleet and the presidents of Russia and Ukraine have signally failed to agree, over the past two years, either to share it or allow one or the other to command it. It remains in a limbo, under Russian control, situated on Ukrainian territory, largely in the port of Sevastopol.

The election early this year of the pro-unity Mr Yuri Meshkov as president of Crimea and of a parliament also committed to union with Russia has been followed by the signing of economic agreements between Crimea and the governments of both Moscow and Russia. In the past two weeks, reports of Ukrainian forces being moved into the area have been routinely relayed from both the fleet and the Crimean authorities, and routinely denied by Ukraine. Over the weekend it was the turn of Ukraine to claim that the fleet command had moved in tank and missile detachments.

In both Moscow and Kiev, the politics speak to confrontation. Presidential elections are due in Ukraine next month, but Mr Leonid Kravchuk, the present incumbent, wants to delay them: a declaration of a state of emergency and a tough line on Crimea would do him no harm and might push back elections by general consent.

In Russia, things are in some respects worse. Last weekend, two different political organisations held congresses. One was the Russian Freedom Party of former vice president Alexander Rutskoi, who used the event officially to launch his claim on the presidency with the promise that he would again extend Russia to the borders of the former Soviet Union.

The other was a gathering of communist groups, including the dominant Russian Communist party: they, too, pledged to restore the imperial scope of the former Union. Both opposition groups chose this platform because they believe it popular: opinion polls show they have a point (though they do not show what Russians would put up with to achieve it).

It is clear, however – from polling and anecdotal evidence – that Crimea occupies a special spot in the hearts of most Russians. Its beauty and climate (which made it the most popular resort area in the former Soviet Union); its literary (Chekhov lived there) and historical (Catherine the Great took it from the Turks) associations; and its Russian majority – all combine to make it inconceivable that it could be other than Russian.

In the increasingly heated climate which surrounds discussion of the former Soviet Union – in particular those parts outside Russia in which Russians are numerous – Crimea at present takes pride of place.

It can become an oppositionist cause over which Mr Yeltsin and the government cannot afford to appear weak but which they do not wish to see boil over. Mr Andrei Kozyrev, the Russian foreign minister, told Mr Douglas Hurd, his British opposite number visiting Moscow yesterday, that – according to Mr Hurd – "Crimea is part of Ukraine and that its sovereignty is not in question".

At the same time, however, Mr Kozyrev has also said that the wishes of its people must be respected. Both Mr Vitaly Churkin, the Russian special envoy to the former Yugoslavia and Mr Sergei Shakhrai, the deputy prime minister, used the Yugoslav analogy as something of a threat.

Though all sides profess to be aware of what is at stake, they nevertheless inch closer to the chasm.

Emirates has been voted Airline of the Year 1994. (It was hardly a one horse race.)

ACES (Aerolineas Centrales de Colombia)
Action Airlines
ADA-Air
Adria Airways
Aer Arann Teo
Aer Lingus
Aero Asia
Aero California
Aerocaribe
Aerochago Airlines
Aero Costa Rica Acori
Aeroflot-Russian International Airlines
Aerolineas Argentinas
Aerolineas Dominicanas
Aeromexico (Aerovias de Mexico)
Aeromonterrey
Aeropelican Air Services
Aeroperlas
Aeroperu
Aeropostal
Aerosur
Aerotransportes Mas de Carga
African West Air
Aigle Azur
Air Afrique
Air Algerie (Compagnie Nationale de Transports)
Air Alliance
Air Alma
Air Alpha
Air Aruba
Air Atlantic
Air Atlantique
Air Austral
Air Baffin
Air B.C.
Air Belgium
Airborne of Sweden
Air Botnia
Air Botswana
Air Burkina
Air Burundi
Air Caledonie
Air Caledonie International
Air Canada
Air Caraibes (Dominica)
Air Caribbean
Air Chathams
Air China
Air Comores
Air Corbiere
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Air Dolomiti
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AIRES
Air Excel Netherlands
Air Express
Air Facilities
Air France
Air Gabon
Air Gambia
Air Guadeloupe
Air-India
Air Inter
Air Ivoire
Air Jamaica
Air Kangaroo Island
Airkenya Aviation
Air Kilroe
Air Koryo
Air L.A.
Air Lanka
Air Liberte
Airline Lithuania
Airlines of Carriacou
Airlines of Tasmania
Airlink
Air Littoral
Air Madagascar
Air Malawi
Air Malta
Air Manitoba
Air Margarita
Air Maroochy Airlines
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Air Midwest
Air Moldova
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Air Nauru
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Air New Zealand
Air Niagara
Air Nippon
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Air Nordic Sweden
Air North
Air Nova
Air Ontario
Air Pacific
Air Rarotonga
Air Rwanda
Air Saint-Martin
Air Sask Aviation
Air Satellite
Air Senegal
Air Seychelles
Air Sinai
Airspeed Aviation
Air St. Barthelemy
Air Stord
Air St. Pierre
Air St. Thomas
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Air Tahiti
Air Tanzania
Air Transport Pyrenees
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American Airlines
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America West Airlines
Ansett Australia
Ansett New Zealand
AOM French Airlines
Aquatic Airways
Arctic Circle Air Service
Arcus Air Logistic
Ariana Afghan Airlines
Aries Del Sur
Arizona Airways
Arizona Pacific Airlines
Arkia Israeli Airlines
Asiana Airlines
Athabaska Airways
ATI-Aero Transporti Italiani
Atlantic Air Transport
Atlantic Airways, Faroe Islands
Atlantic Coast Airlines
Atlantic Southeast Airlines
ATS Vulcan
Augusta Airways
Aurigny Air Services
Aus-Air
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Australia Asia Airline
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Avia Express
AVIANCA
Avianova
AVIATECA
Awood Air
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Bahamasair
Baker Aviation
Balkan-Bulgarian Airlines
Baltic International Airlines
Bangkok Airways
B.A.S.E. Business Airlines
Baxter Aviation
Bearskin Lake Air Service
Belavia
Bellair
Bemidji Airlines
Bering Air
Berliner Spezial Flug
Big Sky Airlines
Biman Bangladesh Airlines
Blackhawk Airways
Bopair
Bouraq Indonesia Airlines
Braathens S.A.F.E. Airtransport
Branson Airlines
Brasil Central Linha Aerea Regional
Brit Air
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British Midland
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Coast to Coast Airlines
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Dynamic Air
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Eastair (Iceland)
Eastland Air
Eastwest Airlines (Aus.)
East West Airlines (Ind.)
Ecuato Guineana de Aviacion
ECUATORIANA
Egyptair
Elf Air
Emirates
Empire Airlines
Ensor Air
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Equatorial International Airlines of Sao Tome
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40-Mile Air
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Frontier Flying Service
Gambia Airways
Garuda Indonesia
Gawne Airlines
GB Airways
Ghana Airways
Gill Aviation
Golden Air Flyg
Goldfields Air Services
Gonini Air Service
Gotia Shuttle Express
GP Express Airlines
Grand Airways
Great Barrier Airlines
Great China Airlines
Great Lakes Aviation
Gronlandsfly
Guinee Airlines
Gulf Air Company
Gulfstream International Airlines
Guyana Airways
Hageland Aviation Services
Hainan Airlines
Haines Airways
Haiti Trans Air
Hamburg Airlines
Hanna's Air Saltspring
Harbor Airlines
Harbour Air
Hawaiian Airlines
Hazelton Airlines
Heli Air Monaco
Helicopter Shuttle
Heli-Inter
Helijet Airways
Helikopterservice
Hemus Air
Hex'Air
Holmstroem Air
Hong Kong Dragon Airlines
Horizon Air
Horizon Airways
IBERIA
Icelandair
Iliamna Air Taxi
Indian Airlines
Intercontinental de Aviacion
International Flying Services
Interot Airways
Intourtrans
Iran Air
Island Air
Island Airlines
Island Express
Island Hoppers
Islands Aviation
Islena Airlines
Isles Of Scilly Skybus
Istanbul Airlines
Japan Air Commuter
Japan Airlines
Japan Air System
Japan Asia Airways
Japan Transocean Air
Jersey European Airways
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Kiwi International Airlines
KLM City Hopper
KLM-Royal Dutch Airlines
Korean Air
Koyukon Air
Kuwait Airways
Kymair
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Labrador Airways
LACSA
LADE
Ladeco Airlines
Ladeco
Laker Airways
LAM-Linhas Aereas de Mocambique
Lan-Chile
Lao Aviation
LAP (Lineas Aereas Paraguayas)
LAPA (Lineas Aereas Privadas Argentinas)
Larrys Flying Service
Las Vegas Airlines
Latvian Airlines
Lauda Air
Lesotho Airways
Letaba Airways
LGW Luftfahrtgesellschaft Walter
LIAT
Liberty Airlines
Lina Congo
Lincoln Airlines
Link Airways
Lithuanian Airlines
Loganair
Loken Aviation
Lone Star Airlines
Long Island Airlines
LOT-Polish Airlines
Love Air
L.T.U. International Airways
Luchvaart Maatschappij Twente
Lufthansa German Airlines
Luxair
Maersk Air
Makung Airlines
Malaysia Airlines
MALEV
Mali Tinbouctou Air Service
Malmo Aviation/City Air Scandanavia
Mandala Airlines
Mandarin Airlines
Manx Airlines
Markair Express
Markair
Martinair Holland
Maya Airways
MBA
Meridiana
Merpati Nusantara Airlines
Mesa Airlines
Mesaba Airlines
Metavia Airlines
Metro Airlines
MEXICANA
MIAT-Mongolian Airlines
Middle East Airlines
Midway Airlines
Midway Connection
Midwest Express Airlines
Missionary Aviation Fellowship
Modiluft
Monarch Airlines
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OLT-Ostfriesische Lufttransport
Olympic Airways
Oman Air
Ontario Express
Orbi Georgian Airways
Orient Air
Oxley Airlines
Pacific Airlines
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Pacific Express Airlines
Pacific Island Aviation
Pakistan International Airlines
Pantanal Linhas Aereas
Papillon Airways
Paradise Island Airlines
Pem-Air
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Portugalia
Prairie Flying Service
Precision Airlines
Private Jet
Promair Australia
Promech Air
Prospair Air Charter
Proteus
Provincial Airways
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Redwing Airways
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Region Air
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Riga Airlines
Rio-Sul Servicos Aereos Regionais
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Southeast Airlines
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The readers of Executive Travel, the UK's leading authority on Business travel, have voted Emirates 'Airline of the Year 1994.' Our 49th award in 8 years and the best yet. Emirates also won 'Best Long Haul Carrier,' 'Best Food and Drink,' 'Best In-flight Entertainment' and for the 6th year running 'Best Carrier to the Middle East.' Serving 32 destinations worldwide, Emirates leaves for Dubai twice daily from Heathrow and five times a week from Manchester. To fly with the best of the world's 700 airlines phone 071-930 3711 (London) or 061-437 9007 (Manchester). **Emirates**

THE FINEST IN THE SKY.

Japanese cut investment flows abroad

By Emiko Terazono in Tokyo

Japan's role as a supplier of international capital is waning as domestic institutions have pared down overseas investment and fund flows from the US have risen sharply, according to a report by the Bank of Japan, the country's central bank.

While Japanese financial institutions were leading providers of capital during the late 1980s, this has changed because of the burst of the economic "bubble" in 1990. And although Japanese investors again turned buyers of overseas securities last year, the recent rise in US interest rates has prompted a sell-off.

The report provides some explanation of the strength in the yen. Part of the recent upward pressure on the yen has come from the decline in Japanese demand for dollars and the rise in demand for yen. According to the Bank of Japan, overseas investment in the Tokyo stock market totalled a record $34.5bn (£22.9bn) during the first quarter of this year.

During the late 1980s, Japanese investment in overseas assets including securities and property prompted a large capital outflow. Between 1985 and 1989, annual net outflow of long-term capital averaged $110bn. However, this has since fallen sharply and in 1992 Japan saw a total $28.5bn outflow in long-term capital and an outflow of $78.3bn last year.

Securities investment by Japanese investors last year rose 50 per cent from the previous year to $51.6bn because of the rally in US and European stock and bond markets. Investors bought a net $21.9bn in US securities, up 2.5 times from the previous year, and $17.4bn in German securities, up 2.1 times. Net purchases of French securities rose five times to $10bn, but buying of UK securities fell 1.8 per cent to $16.8bn.

Downward pressure on the dollar has stemmed from US overseas investments. The report says overseas securities investment by US investors last year totalled 2.5 times that of Japan's at $125.4bn.

Chinese newspaper calls for free courts

China's top legal newspaper yesterday called for judicial independence, saying Communist party officials still tipped the scales of justice, Reuter reports from Beijing.

The Legal Daily's front-page editorial said free courts were essential to developing a market economy. "The courts have become administrative tools of the government," the editorial quoted one unnamed court official as saying. "Judicial rights and administrative rights are combined into one and used against those under government supervision. What kind of appeal can they make?"

The newspaper's editorial contradicted usual Communist rhetoric that China's courts and judicial organs operate completely independently from the party and government.

While Beijing has sought to strengthen its legal system by issuing new laws, approving law offices and improving education, it has not addressed the question of whether or not the courts are impartial. Many Chinese assume they are not and are run instead on a system of favours rigged to benefit those in power.

Chamber opposes Patten

By Louise Lucas in Hong Kong

The Hong Kong General Chamber of Commerce, which boasts 3,550 corporate members and which has been seen as adopting an increasingly pro-Beijing slant, has told the government it opposes a key plank of the constitutional reform bill of Governor Chris Patten.

The bill, the second stage of which was submitted to the Legislative Council on March 9, aims to broaden the franchise by creating nine new "jumbo" electorates and replacing corporate with individual voting in the functional constituencies, which represent business and professional groups.

The chamber, which now holds a seat in LegCo and thus has a vested interest in preserving the status quo, claims the new functional constituencies should retain the essential features – to represent specific sectoral interests with a limited electorate – of the existing 21 functional constituencies.

Finance minister expects revival of customs revenues

Lower Indian budget deficits forecast

By Alexander Nicoll, Asia Editor

India's budget deficit, which sharply exceeded its target in the last fiscal year, is on course for steady reduction over the next few years, Mr Manmohan Singh, finance minister, said yesterday.

Mr Singh told a meeting of finance and business executives in London that last year's overshoot – to more than 7 per cent of gross domestic product, compared with a 4.7 per cent target – had been partly caused by unexpectedly low receipts from import duties.

Customs duties account for about 40 per cent of government revenues.

Cuts in import duty rates had not produced a sufficient rise in import volumes to compensate for the revenue lost. But Mr Singh expected revenues to bounce back this year. The budget deficit should drop by about 1 per cent of gross domestic product each year, bringing it down to 3 per cent in three to four years, he said.

The rise in inflation, which has recently been nudging into double figures, was a temporary phenomenon, he said. The rate should drop back down when this year's crops come in.

Economic growth should be at a minimum of 5 per cent this year and at much higher rates in the later half of the decade, he said.

Mr Singh restated the government's commitment to reform of the economy, saying that "any impression that we have lost our enthusiasm or slowed down would be erroneous".

By correctly sequencing reforms, he said, "we have avoided the aberrations which have proved the undoing of the reform process in many other developing countries". Inflation had come down and output had continued to grow as the reforms were put in place.

Meanwhile, a broad consensus of support for economic reform had developed throughout the country so that reform was now irreversible, he said.

Although enough political support had not yet developed for full-scale privatisation, the government had opened up virtually all sectors to private competition, so the public sector's share of the economy was bound to shrink.

Stefan Wagstyl adds from New Delhi: Prime Minister P.V. Narasimha Rao yesterday urged foreign companies to invest in India, saying: "It is a free market now. There are no shackles anywhere. Invest in anything in India."

Mr Rao was speaking at a power industry conference, attended by Indian and foreign businessmen. It was his first meeting with a business audience since returning from a trip to the US, where investment promotion topped his agenda.

Alexander Downer (left), new leader of Australia's opposition Liberal party, talks to the press in Canberra yesterday as his deputy Peter Costello listens Reuter

AUSTRALIAN OPPOSITION PICKS YOUTHFUL LEADERSHIP

By Nikki Tait in Sydney

The Australian Liberal party, the main federal opposition party, yesterday voted for a change of leader, with Mr Alexander Downer replacing Mr John Hewson. Mr Peter Costello, joining Mr Downer on a joint "youth" ticket, will act as Mr Downer's deputy.

The change was achieved at a 15-minute party meeting in Canberra called by Mr Hewson to face up to the challenge. Mr Downer won 43 votes against Mr Hewson's 36. The build-up to his overthrow began with the opposition's surprise loss in elections just over a year ago to Mr Paul Keating's incumbent Labor party. Although Mr Hewson's fortunes revived last summer when the government's budget was stalled in parliament for two months, his opinion poll rating then dropped very sharply.

Mr Downer, aged 42, comes from an Adelaide establishment family which has been involved in federal politics for several generations. His father was immigration minister in the Menzies government. Such a background has often been viewed as a liability but Mr Downer has attempted to combat this image – partly through astute handling of the shadow treasurer's job, and partly by conscious efforts to portray a down-to-earth, family image.

Mr Costello, six years younger than Mr Downer, is a Melbourne lawyer who has been in federal politics for only four years.

Nigerian election attracts few voters

By Paul Adams in Lagos

A partial boycott and widespread public apathy led to a low turnout yesterday in Nigerian elections for delegates to next month's constitutional conference, which is to be the basis of the military government's political programme.

It followed the annulment of a presidential election last June after it had become clear that Mr Moshood Abiola, a businessman from the south-west, had won.

Political parties and associations have been banned since Gen Sani Abacha became head of state last November and no campaigning by contestants was allowed before yesterday's vote. Mr Ken Saro-Wiwa, a well-known political activist in Port Harcourt, was stopped from holding a pre-election rally and was arrested at the weekend. The 270 elected delegates to the constitutional conference will be joined by 96 government nominees.

Those who voted said that unless they took part they could not influence the constitutional conference. But senior politicians around Nigeria say there is no need for the conference because Nigeria's political problems lies not with the constitution but the military elite who obstruct it. The Campaign for Democracy has called the conference a ruse to buy time for a regime which lacks direction.

Other critics of the conference say it will be subordinate to the will of the military regime, that the government has not stated how long it intends to stay in power and that the absence of any electoral law and lack of preparations for polling make the polling invalid.

In the Yoruba homeland of Mr Abiola in the south-west, a coalition of politicians led by two former state governors told its members not to stand as delegates for the conference and called for a poll boycott.

Elsewhere two powerful groups have boycotted the whole process: leaders of the large Ijaw tribe in the south east, and a powerful alliance of retired military officers from the central region.

All Nigerians over 18 years were entitled to vote by open ballot at more than 100,000 polling stations in Nigeria, to choose five candidates for each of 6,000 wards. No official figures are yet available but in Lagos and the capital, Abuja the turnout seemed as low as 10 per cent and many voters admitted they were not certain what they were voting for.

Mr Bernard Mbah, who is the national organiser of the polls told reporters in Abuja that the polling was "impressive".

N Korea 'replaced fuel rods'

South Korea said yesterday North Korea might have already replaced up to 15 per cent of fuel rods at a nuclear reactor without supervision by international inspectors, Reuter reports from Seoul.

"The exchange of fuel rods at the 5MW reactor in Yongbyon is believed to have been 10 to 15 per cent complete so far," Yonhap news agency quoted Mr Lee Hong-koo, unification minister, telling parliament.

The agency said there were a total of 8,100 uranium fuel rods at the reactor, which could hold vital evidence on whether Pyongyang has developed a nuclear bomb as suspected by some western governments and intelligence agencies.

A team of nuclear inspectors from the International Atomic Energy Agency (IAEA) is due to arrive in the North today for talks on the refuelling.

Mr Kim Dai-ho, a former official at North Korea's Yongbyon reprocessing plant, told the Japanese daily Yomiuri Shimbun the North had secretly extracted 12kg of plutonium from spent fuel in 1988 despite its public denials.

North Korea, which denies trying to develop such weapons, insists the only plutonium it ever produced at Yongbyon was "a tiny amount" reluctantly owned up to in 1992.

Vietnamese output up 12.1%

Vietnam's industrial output increased by 12.1 per cent in the first four months of 1994 over the same period last year, and prospects for food production and inflation levels are good, the government said yesterday, Reuter reports from Hanoi.

Hebron observers left watching from their window

Julian Ozanne reports on an Israeli curfew that shut the international force of 117 inside its compound

A Norwegian member of the international observer force in Hebron pointed to the stretch of tarmac outside the force's compound: "We are not allowed to move beyond that point. We can't patrol the town. We don't know what is going on beyond our front door."

As he spoke last week, the West Bank flashpoint of Arab-Jewish violence was under a 24-hour military curfew. Israeli soldiers were conducting house-to-house searches looking for Palestinian guerrillas who killed two Israelis in revenge for an attack on Palestinians the day before.

Israel has since lifted the curfew but the incident has left doubts among Palestinians about the credibility of the observer force which was deployed two weeks ago.

"This was the most significant test so far of the force but they did nothing," said Mr Awny Sughyer, deputy mayor of Hebron. "The Israelis made the whole area a closed military zone and the observers were not even allowed to enter any of the places of violence.

"People feel angry and sad about the force. There were high expectations when they first came here but now people say they can't do anything to protect Palestinians."

The observer force has a three-month mission to reduce tension between Hebron's 110,000 Arab residents and militant Jewish settlers after the February 25 Hebron mosque massacre of 30 Palestinians.

They were deployed in the wake of a United Nations Security Council resolution and weeks of difficult negotiations between Israel and the Palestine Liberation Organisation. After fierce arguments about the size of the force and whether its members should be armed, the two sides eventually agreed to a 160-strong force from Italy, Denmark and Norway, of whom 60 should carry arms "for their personal protection".

The force quickly ran into problems. First, it was unable to recruit enough suitable people and settled for 117. Second, despite the hard PLO bargaining for light weapons, the observers decided against being armed. This left the force under the protection of the Israeli army.

Last, a clause in the Israel-PLO agreement specified that observers would be denied entry to any area which Israel declared a closed military zone.

Israel's declaration of the whole of Hebron as a closed zone "was a funny interpretation of the agreement that we did not expect", said Mr Bjarno Sorenson, spokesman for the force. He said the force had filed a complaint but could do little else. In response to Palestinian criticism that the force had been unable to prevent Israeli soldiers and settlers wounding 19 Palestinians last Monday and had been denied access to the site, Mr Sorenson said: "People here want us to be a shield but the word protection for us means to report an impartial view of what is going on here."

Criticism is also emerging about the financing of the force. One observer said it had no fixed budget but had been told to spend as much money as possible and had been given a blank cheque by Denmark, Norway and Italy.

The compound, which has been off-limits to outsiders, is reportedly stacked full of new computers, fax machines and furniture and the force is lavishly equipped with Israeli radios, mobile telephones and rented cars. According to the agreement, all equipment bought by the force will be handed over to the PLO once the mission is completed.

The real problem remains the conflict between Palestinians and militant Jewish settlers in Hebron, a town sacred to both Moslem and Jew. "There is a contradiction between settlements in the town and peace. Together they are impossible," said Mr Khaled Osaily, a local businessman. "The force clearly can do nothing about that. For us Palestinians the worst thing is that by being here maybe they will legitimise the presence of the settlers."

The Bank of Israel, the country's central bank, announced yesterday it would raise interest rates by half a point in the hope this would help the fight against inflation, Reuter reports from Jerusalem. The rate on its daily monetary tender to commercial banks would rise from Thursday to a minimum 10.8 per cent, up from a minimum 10.3 per cent. It was the second such rate rise this month.

Report criticises assistance 'tied' to purchases from donor countries

Call to improve aid programmes

By Michael Holman, Africa Editor

An independent evaluation of international aid published yesterday sharply criticises tied aid, expresses concern that donors are failing to meet commitments to increase assistance, and says only 6.5 per cent of aid is spent on meeting the needs of the poorest.

Official development assistance (ODA) worth $60.4bn (£40bn) represented just over a third of the net flow of resources from the countries of the Development Assistance Committee (DAC) to developing countries in 1992, said the report, The Reality of Aid. Aid flows were critical in sub-Saharan Africa, where aid averages more than 13 per cent of gross national product.

The study, published by the London-based charity Actionaid, was edited by Development Initiatives, an independent consultancy specialising in aid and development policy.

The era of slowly growing aid is coming to an end, says the report, with the increase in real terms in aid from DAC donors of only 0.5 per cent between 1991 and 1992.

The share of humanitarian relief and peacekeeping has gone up from 2.3 per cent in 1988 to more than 7 per cent in 1991.

Business interests are becoming more assertive and their influence in the shape of aid and the countries it goes to appears to be increasing. This is not being matched by any coherent attempt to serve the needs of the poor.

However, the report notes that DAC measures introduced in 1992 to improve the quality of tied aid "appear to be increasing accountability and having some impact".

Around $15bn each year has been tied to the purchase of goods and services from individual DAC members, says the report. In 1991 this rose to nearly $18bn.

"This results in developing countries paying above the market rate," says the report, adding that estimates vary between 10 and 20 per cent.

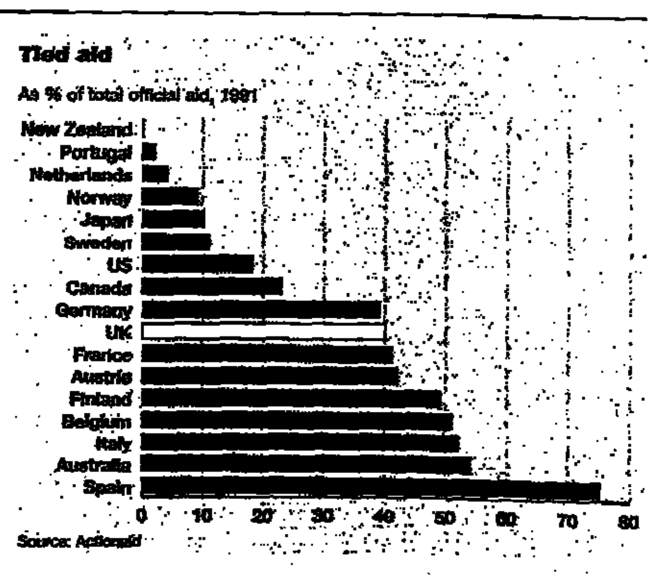
"This excess price is a direct subsidy to exporters in OECD countries amounting to more than $2bn a year – nearly 4 per cent of DAC aid."

The volume of untied aid is unduly inflated by relief for bad debts arising out of export credit agreements which have originated from export promotion for domestic industry – $1.8bn in 1991 or 2.2 per cent of total ODA.

The aid available for sustainable development is being hit by a combination of declining public expenditure budgets in the OECD and the increasing use of ODA to meet costs formerly borne by other government departments. The costs of asylum seekers and forgiveness for bad debts arising from commercial export credits accounted for 5 per cent of total ODA in 1992, it says.

Public suport still far outstrips criticism of aid and its effectiveness, the report adds, "and the universal picture of aid fatigue is not borne out by opinion poills which continue to show that public support is founded on humanitarian concern".

The Reality of Aid 94. Actionaid, Hamlyn House, Archway, London N19 5PG. Tel (071) 281-4101, fax 281-5146



UN envoy calls off Kigali visit

Mr Iqbal Riza, a United Nations special envoy, yesterday called off a trip to the Rwandan capital Kigali, saying warring parties could not guarantee his safety, Reuter reports from Mulindi, Rwanda.

"Both sides seem to have difficulty in securing our security. So we cannot go along the route into Kigali," he told reporters before driving back into Uganda. He said he hoped to try and fly into Kigali from Uganda today.

Mr Riza was to have travelled from northern Rwanda by road to Kigali to meet the government side after talks with rebels on ending seven weeks of violence in Rwanda in which an estimated half a million people have died.

Fighting appeared to have resumed in Kigali in earnest after combatants agreed a truce to allow the envoy to visit.

The talks with the rebels failed to agree on the key issue of the number of UN troops needed in Rwanda. Mr Riza said he had no mandate to alter the UN force figure of up to 5,500 authorised by the Security Council last week. The Rwanda Patriotic Front (RPF) rebels insist on at most 2,500.

A rebel spokesman said the RPF turned down Mr Riza's appeal that it enter talks with the interim government, which took over after President Juvenal Habyarimana was killed along with his Burundi counterpart in a rocket attack on their aircraft on April 6.

That tragedy sparked the current massacres in Rwanda, blamed largely on Mr Habyarimana's troops and militias from his majority Hutu tribe.

House urged to end Bosnia arms ban

By George Graham in Washington

The House of Representatives today debates a resolution requiring the US to stop enforcing the United Nations arms embargo against the former Yugoslavia and to supply weapons to the Bosnian Moslem government.

The debate comes two weeks after the Senate voted to require the administration to breach the arms embargo, and a House vote could further complicate the White House's efforts to avoid getting dragged into the Bosnian war.

President Bill Clinton has said he favours lifting the arms embargo on Bosnia-Hercegovina but does not want to act unilaterally, in defiance of the wishes of the European countries which make up the bulk of the UN peacekeeping force in Bosnia.

Mr William Perry, the defence secretary, has been leading the drive to block the measure, warning members that lifting the embargo would probably lead to the withdrawal of UN forces from Bosnia and threaten supplies to Sarajevo and other cities held by the Bosnian government.

"The US might have no choice but to intervene massively in the conflict or acquiesce in a humanitarian and political disaster," Mr Perry cautioned.

The resolution, sponsored by Congressman Frank McCloskey of Indiana and Congressman Benjamin Gilman of New York, requires the president to "terminate the US arms embargo of the government of Bosnia and Hercegovina upon receipt from that government of a request for assistance in exercising its right of self-defence." It directs the president to provide "appropriate military assistance" and authorises the transfer of up to $200m (£138m) of military equipment and training services to the Bosnian government.

Congressman Lee Hamilton of Indiana, chairman of the House foreign affairs committee, will propose a substitute version which would direct the president to consider lifting the arms embargo, but would not require him to act unilaterally. The tougher McCloskey-Gilman version, however, is believed to have attracted considerable support.

North-east limps behind rest of Brazil

Poor government puts the brakes on development, writes **Angus Foster**

Sitting amid peeling paint and regular power cuts, the secretary of health for Brazil's north-eastern state of Maranhão is remarkably good humoured. Mr Marival Pinherio Lobão even laughs when asked how many people work under him. "It's too disorganised to know. And people often get moved around each month for political reasons," he says.

Mr Lobão is one of many frustrated but largely powerless government officials in the north east, a poor and extremely underdeveloped region. Social indicators in the region contrast sharply with Brazil's rich south.

North-easterners are likely to live 10 years less than the 69-year average in the southern state of São Paulo.

The illiteracy rate of 43 per cent is more than twice the national average. Of the 42m people in the region, 1m have no income and a further 11m survive on the minimum salary of about $65 a month. Diseases such as cholera and leprosy, once on the wane, are increasing in several states. "These diseases are not really health issues, but signs of poverty," according to Mr Lobão.

The north-east's backwardness stems from a mixture of bad government, both at local and national level, and corruption. But the problems are hard to tackle because of an ingrained aversion to change and the lack of education. Some states, notably Ceará, are trying to reform but it will take years to solve even basic problems like education and health.

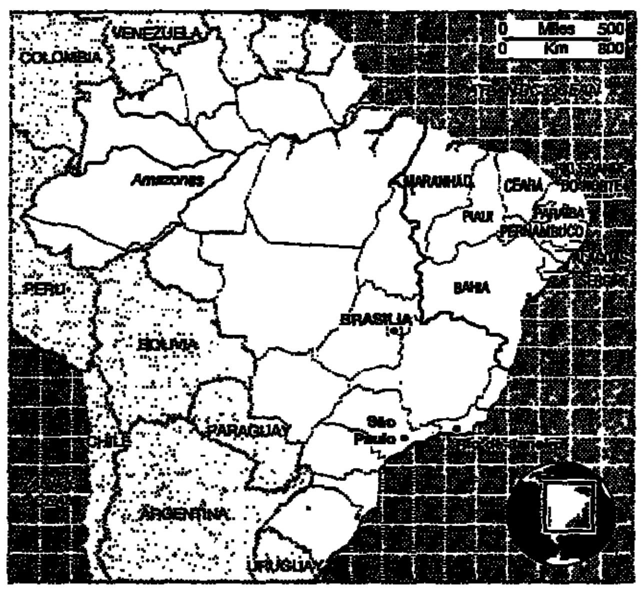
The difficulty lies in the political system. Most states are controlled by a handful of ruling families who share the political and economic spoils to maintain power and prevent modernisation. In Maranhão, for example, former president José Sarney controls the largest TV broadcaster and the main newspaper. His daughter Roseana is expected to win the race for governor in October.

Mr Gastão Dias Vieira, a local politician critical of the ruling classes says attempts to modernise the state have failed because of the elite's grip on power. Two companies, mining group Vale do Rio Doce and aluminium producer Alcoa, recently invested about $4bn in the local economy. But the government, instead of using the revenues from these investments to improve education or attack hunger, spent it instead on construction projects to benefit their political backers, including the construction companies themselves.

The elite's grip on power is reinforced by the region's backward education standards and a patron-client tradition stemming from nearly 400 years of a slave-based economy. In rural areas of some states, more than half the population is illiterate. In states like Alagoas, whence Mr Fernando Collor rose to the presidency before resigning amid corruption charges, there have been complaints of unqualified people being given jobs as teachers in return for votes.

Mr Mario Mamede, a Workers party politician in Ceará state, says: "Voters here don't want to know your record but whether you can help them get a job. It makes buying votes very easy."

Despite ingrained forces against change, there is a small but growing list of states and cities benefiting from good government and reduced levels of corruption. Slowly, change is coming from individual members of the elites, often educated abroad, who are prepared to fight for change.



In Ceará, still one of the poorest states in the north-east, an enlightened businessman won the post of governor in 1987 and decided to take on the ruling class. One of Mr Tasso Jereissati's first acts was to dismiss 48,000 "teachers" who had been recruited in just one week before a previous election campaign.

"People said I would never win another election because they thought politicians needed to control all the jobs to be strong. But you need to confront this," he says.

Ceará was one of the first states to balance its budget and has enjoyed economic growth above the national average. The state's reputation for clean government is also attracting multilateral agencies such as the World Bank, which are often reluctant to lend to other nearby states.

In São Luis, the capital of Maranhão, attempts are also under way to dislodge the elites. Mayoress Conceição Andrade, of the Brazilian Socialist party, inherited a government which employed one in four of its population and spent 96 per cent of its tax revenues on salaries. She has cut the payroll by a fifth and introduced the strange – in Brazilian terms – concept of fiscal thrift. "We never spend all we collect from taxes. Instead, we hold back a bit for investment," she says.

But even the mayoress is pessimistic about the pace of reform in the north-east, especially in the rural areas, where poor levels of education and resistance to change are a brake to reform. And it is still extremely rare for individuals or groups to join together as citizens or trade unions and demand change. "Most people are hungry a lot of the time. It's difficult for people like that to feel like citizens and demand their rights," she says.

Court rejects base closure challenge

The US Supreme Court yesterday rejected a challenge to the complex procedure for agreeing military base closures, saying it had no authority to review the president's decision on the issue, writes George Graham.

The challenge, brought by Senator Arlen Specter of Pennsylvania, threatened to upset the delicate base-closing mechanism, under which the defence secretary presents recommendations for the closure of military bases to an independent commission, which holds public hearings and then draws up its own list. That list is then sent to the president, who may reject it in its entirety but not pick and choose among its recommendations.

Congress, too, may reject the whole list, but again, may not pick and choose.

The whole procedure was designed to stop members of Congress blocking the closure of military bases within their districts.

UN to monitor Haiti sanctions efforts by Dominican Republic

By Canute James in Kingston

A team of United Nations observers has arrived in the Dominican Republic to monitor the country's adherence to tighter economic sanctions against neighbouring Haiti which went into force at the weekend.

Their arrival coincides with reports that the US will consider imposing trade penalties on the Dominican Republic if the government fails to curb smuggling across the border in violation of the sanctions.

Increasing numbers of small boats have been moving a range of goods, especially fuel, along the coast from the Dominican Republic to Haiti, evading detection by ships policing the embargo. The US is the Dominican Republic's main trading partner, and the Caribbean nation benefits from duty-free access to the US market for a wide range of products.

The willingness and ability of the Dominican government to tighten sanctions has been affected by political confusion. A recount will begin tomorrow of votes cast in last week's presidential elections, amid repeated claims that extensive fraud had favoured Mr Joaquin Balaguer, the incumbent.

"With the confused political situation here, and the political tension generated by the presidential election, not many people expect the government to be able to pay much attention to the border," said a diplomat in Santo Domingo.

President Balaguer has publicly questioned the usefulness of the sanctions against Haiti, and is known to be far from enthusiastic about the return of Mr Jean-Bertrand Aristide, Haiti's exiled president, whose reinstatement is being demanded by the United Nations.

Mr José Francisco Peña Gómez, Mr Balaguer's main challenger in the race for the presidency, has sent officials from his social democrat Dominican Revolutionary party to seek support for his claims that he was denied victory through irregularities perpetrated by Mr Balaguer's conservative Social Christian Reform party.

With 97 per cent of the votes declared by the Elections Board, Mr Balaguer led by about 30,000.

Mr Peña Gómez, backed by foreign observers, claims that most of the estimated 200,000 people who could not vote last week were Revolutionary party supporters.

SALEROOM

Cherry auction fetches $13.7m

By Antony Thorncroft

Furniture and works of art collected by the late Wendell Cherry, co-founder of Humana, one of the world's largest providers of healthcare services, realised $13.7m (£9.1m) at Sotheby's New York auction house at the weekend.

The sale was a great success, and was almost 95 per cent sold by value. The top price, $2.2m, was paid for an elaborate desk, mounted by a clock, confidently attributed to Boulle, the leading French furniture maker of the early 18th century. It was part of the grandiose furnishings of Cherry's 5th Avenue apartment.

A 17th century Florentine bronze of Hercules wrestling with a bull, attributed to Tacca and once owned by King Louis XIV, sold, above estimate, at $1.43m, while a George II giltwood 12-light chandelier, attributed to Mathias Lock, fetched $827,500.

In contrast Sotheby's auction of Old Masters had a mixed response. It totalled $13.145m., but was less than 60 per cent sold by value.

Need for $980bn of new airliners seen

By Paul Betts, Aerospace Correspondent

Boeing, the world's largest manufacturer of commercial aircraft, yesterday forecast demand for new airliners worth $980bn in the next 20 years to meet the growth in air travel and the need by airlines to replace older jets.

In its annual civil aircraft market outlook, the US manufacturer said that $731bn worth of new aircraft would be needed to accommodate future air traffic growth and $249bn would be required to replace older aircraft.

The relatively optimistic forecast also notes that the civil aircraft market is becoming increasingly competitive.

"There are only 600 airlines in the world. Only 125 of those airlines buy new airplanes. And the 20 largest airlines buy 60 per cent of all new commercial airplanes," said Mr Richard James, Boeing's vice president of marketing.

"In such a concentrated market, you can't afford to miss a single strategic sale."

Although the market continued to suffer from the "four-year-long slump in civil aircraft demand caused by airline losses, the economic recession and the impact of the Gulf war, Mr James said the second half of the 1990s looked more promising for the industry.

"The recovery is already well under way in the US, and the widely held expectation is that Europe is in the road to recovery," he said.

He added that while the Japanese economy was still struggling, the rest of Asia was experiencing robust growth.

Boeing expects the biggest growth in air travel to come from the Asian markets during the next 20 years.

Overall, Boeing is forecasting passenger air travel growth of around 5.2 per cent a year over the next 20 years.

International traffic is also expected to continue providing a greater share of overall world air transport. It accounted for 44 per cent of all revenue passenger miles 20 years ago and the figure now is nearly half. Boeing expects it to account for 54 per cent of all travel in 20 years time, with domestic traffic making up the other 46 per cent.

Although Boeing said it was difficult to predict how many older 70- to 170-seat aircraft would be retired in the next two years, it predicted that about 1,200 would have to be retired by 1999 because they would be more than 30 years old.

By the year 2000, the number of total replacement aircraft would probably rise to 3,000 because of airlines' need to comply with stricter noise regulations from the beginning of the next century.

China seeks end to barter with Russia

China and Russia will hold a round of high-level trade talks this week, with Beijing hoping to phase out barter trade in favour of cash exchanges, the official China Daily said yesterday, Reuter reports from Beijing.

The Sino-Russian Joint Commission on Economic, Trade and Technical Co-operation meeting, which begins today will be co-chaired by Chinese Vice Premier Li Lanqing and Russian Deputy Prime Minister Alexander Shokhin.

The three-day talks occur as Russian prime minister Victor Chernomyrdin prepares for his first state visit to Beijing from May 26 to 29.

The *China Daily* quoted foreign trade officials as saying that one of the primary goals of this commission meeting would be to stress Beijing's desire to see barter trade gradually phased out along the border in favour of cash.

While up to 35 per cent of Sino-Russian trade is now conducted on a cash basis, the rest involves the physical transfer of barter goods.

"Two-way trade should mainly be done through cash exchanges," Mr Geng Xuncai, deputy director general of the European department at the trade ministry told the China Daily.

"Both sides should push their large companies to the forefront of trade and investment activities," he said. "In so doing, the potential for further growth of two-way trade can be tapped."

Sino-Russian trade was valued at about $7.7bn last year, an increase of 31 per cent over 1992, according to official figures.

The joint commission meeting will also discuss broadening technical co-operation, with China eager to tap Russian expertise in such fields as aviation, space technology, the chemical industry and machine building.

Mahathir urges new MFN for China

By Kieran Cooke in Kuala Lumpur

Dr Mahathir Mohamad, Malaysia's prime minister, has made a strong appeal for the US to renew China's most favoured nation (MFN) trading status.

Mahathir Mohamad: "Pacific nations must not quarrel"

Addressing more than 1,000 representatives of businesses in the Asia-Pacific region, Dr Mahathir said nations of the Pacific must not quarrel and fight.

"Our Pacific Era will be stillborn if we divide the Pacific, if we create discriminatory trading blocs, if we draw a line down the Pacific, if we are unwilling to extend to each other the normal rules and regulations – like most favoured nation status – that are norms between trading economies," said Dr Mahathir.

In recent weeks Dr Mahathir has had talks with both President Bill Clinton and with China's leaders.

"Now China needs the world just as much as the world needs China," said Dr Mahathir.

"That's a great departure from the old days when China regarded itself as the centre of the world."

Dr Mahathir also said that Malaysia was keen to see both Vietnam and Cambodia join the Association of South-East Asian Nations (Asean) as soon as possible.

Japanese buying more foreign cars

Michiyo Nakamoto reports on changes in taste and value-for-money marketing

The streets of Otemachi, Tokyo's business district where leading Japanese companies are based, is something of a showroom of the chosen cars of Japan's corporate establishment.

Recently, a larger number of foreign cars, from Volvo estates to Cadillac Sevilles, can be spotted among the Toyotas and Nissans that have long dominated Otemachi's avenues.

Imported cars are enjoying an unprecedented surge of interest in the Japanese market, which has often been criticised as unreceptive to foreign vehicles.

While domestic car makers continue to suffer weak demand, with registrations down nearly 4 per cent to 1.5m units in the first four months of 1994, imported passenger car registrations rose 28 per cent year-on-year to 78,825 units.

In the fiscal year between April 1993 and March this year, imported vehicles saw registrations increase 14 per cent to a record of over 217,774, according to the Japan Automobile Importers' Association. Imported passenger cars rose 10 per cent to 206,633 in the same period.

That record compares with a drop in demand of 7 per cent to 6.4m for vehicles manufactured in Japan and a 6 per cent decline in domestically made cars to 4.15m units

The increasing globalisation of the motor industry and the need to cultivate global markets is finding more foreign car makers keen to expand in Japan.

Opel, the German car maker owned by GM, sold 17,000 cars in the first year of a distribution deal with Yanase, Japan's largest foreign car importer and retailer. Volvo, the Swedish car maker, has carried out an active marketing campaign in Japan and saw record registrations last year.

Globalisation has also meant that car makers, including the Japanese, are making different cars in different countries.

Honda, for example, only manufactures the Accord Wagon and Coupe in the US, where those two models were developed, and imports them into Japan. The popularity of Honda's US-made models has made the company, with 27,245 registrations, the second-largest car importer in 1993 after Mercedes-Benz, which had 29,693 cars registered.

The yen's strength against leading currencies has also been a boost to imports, making them far more affordable. Rover, the UK-based car maker, for example reduced its Japanese prices last year by an average 13 per cent to reflect the yen's rise. "The prices of our cars are not that different any more from those of domestic cars," says a Rover representative.

The general suspicion of the quality and reliability of foreign cars that pervaded Japanese consumer attitudes for decades is also gradually being replaced by interest in the different styles that foreign cars offer.

"As the generation changes, consumption patterns are freer than in the past and the attitude toward foreign products has changed," says Mr Shoji Sugimoto, a director of Yanase. "The nationality of foreign products no longer has that much influence," he points out.

Japanese consumers have long been concerned about the lack of service and maintenance facilities for imported cars. But more foreign car makers are following the lead of the most successful German motor companies in Japan and addressing such concerns.

In addition, foreign car makers are adjusting their marketing strategies to the growing mood in Japan that favours value for money rather than luxury, and with the help of the yen's appreciation have offered value-for-money packages and low interest loans.

Earlier this year Volvo offered loans at just 3 per cent while BMW, the German car maker, launched a programme that offers free maintenance for three years at a moderate price.

Even luxury car makers which have long guarded their image of exclusivity have moved to accommodate the growing quest for value for money. BMW reduced prices last autumn by up to 7 per cent and Mercedes-Benz lowered its loan rates.

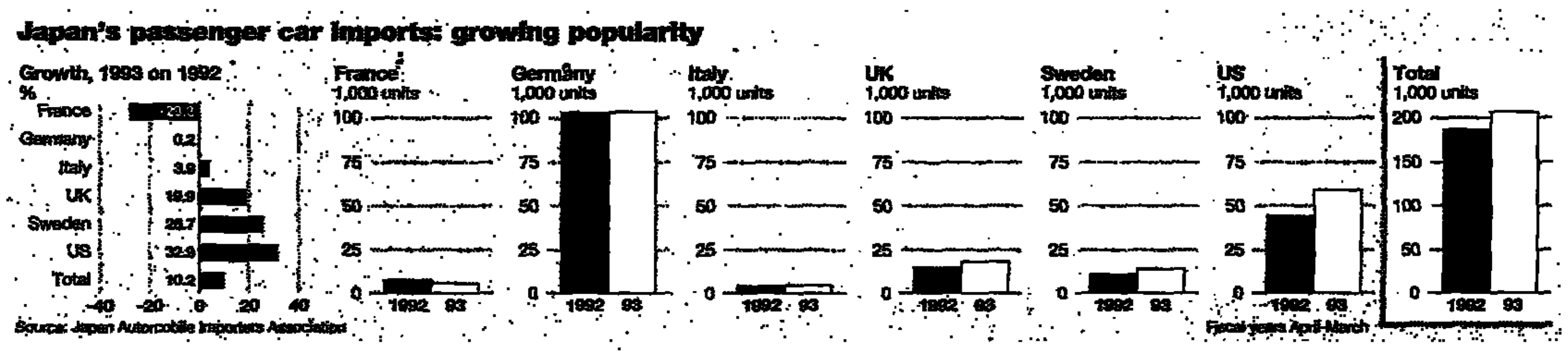
Slow but steady changes in Japanese industry practices and government regulations, which have been criticised as hindering market access, are also taking place to the benefit of imported cars.

Tokyo Nissan, a dealer affiliated with the car maker, has started to sell Ford cars, for example, in a move that is unusual in Japan where most dealers are tied to one manufacturer.

Meanwhile, in its deregulation package to be finalised next month the government has proposed adjusting Japanese standards and testing methods to international levels and easing the process of acquiring official approval for imported cars, two factors which have been cited as obstacles to greater imports.

"The consumer attitude is changing, but in addition the total environment will support growth in imports," says Mr Siegfried Richter, president of BMW Japan. Mr Richter is certain that "efforts for deregulation will, of course, support both physical and mental openness".

Japan's passenger car imports: growing popularity



Source: Japan Automobile Importers Association. Fiscal years April-March

Poland acts on copyright abuse

Poland cracked down on copyright abuse yesterday by implementing a law intended to end video and music piracy and strengthen intellectual property rights, Reuter reports from Warsaw.

The law, passed by parliament in February and taking effect after a three-month grace period, is intended to end piracy which costs the state treasury millions of dollars a year, and bring Polish laws in line with international norms.

Polish artists welcomed the new law but said its efficacy would largely depend on how well it was enforced.

The new legislation replaces a weak and outdated 1952 copyright law under which the police's ability to make arrests was limited. A part of the law governing computer piracy went into effect immediately after it was passed in February.

The weakness of the old law helped music, video and computer piracy flourish after communist rule ended in 1989, flooding the streets with hawkers of cheap cassettes.

It was also a discouragement for some foreign investors.

The IFPI estimated that the state treasury lost a minimum of $25m in 1991 and probably much more in 1992 to music pirates alone and official producers lost three times as much. Computer software is dominated by pirated programmes.

Those losses should be quickly reduced, experts say, and prices of official recordings are not expected to rise much as a result of the new law.

Thai government warned on underground railway cost

By William Barnes in Bangkok

Tanayong, the Bangkok-based property developer, has warned the Thai government that moving its planned 23km elevated railway underground will be expensive, disruptive and throw its scheme three years behind schedule.

The Thai cabinet last week strongly requested contractors for all three overhead rail projects to consider moving underground within the 25 sq km of the city centre. This followed growing public concern that an obtrusive infrastructure spaghetti would wreck the environment and exacerbate the already appalling traffic jams.

The government has promised to defray the extra costs of going underground. But it will not force Tanayong, nor the Hong Kong group Hopewell Holdings, which plans an ambitious 60km network, even partially underground because 30-year build-and-operate franchises have already been signed. The property company Bangkok Land is still negotiating for the franchise to a third railway.

Mr Kasame Chatikavanij, chairman of Tanayong's wholly owned subsidiary, Bangkok Transit System Corporation, said subterranean railways were two or three times more expensive than their elevated equivalents; certainly much more than the 30 per cent premium frequently quoted in the local press.

He challenged anyone able to build an underground at no more than a 30 per cent premium – $26m a kilometre – to identify themselves. "BTSC," he said, "is ready to sign a contract with them."

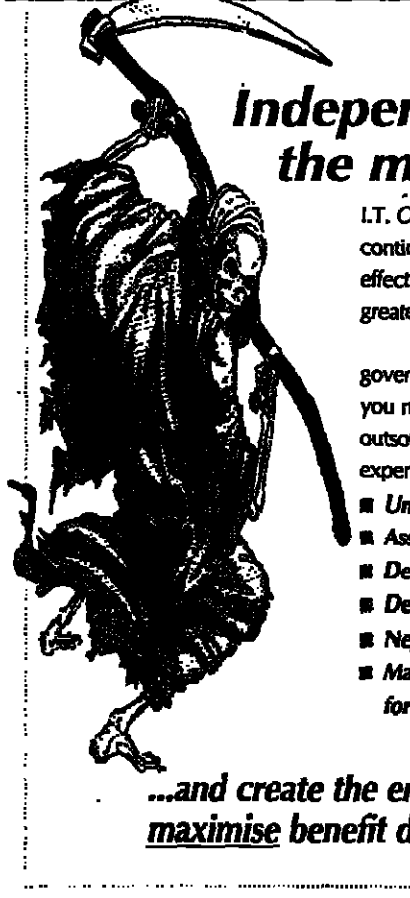
Mr Colin Weir, Hopewell's operations manager in Bangkok, said the government may not have "thought through" the implications of trying to run any of its planned elevated "sandwich" of roads, railways and property underground.

"If they want the whole thing underground (in the city centre), then that is a huge thing they are asking for," he said.

Tanayong has so far failed to reach agreement with its "preferred contractor" – a consortium led by the Anglo-French group GEC Alsthom and the Bangkok developer Italian-Thai – probably perhaps because it is difficult to show how it can generate sufficient revenues from a privately run railway alone.

Mr Bob Kevorkian, managing director of Metro 2000, a consortium led by Germany's Philipp Holzmann, which has campaigned for an underground as "the only real solution," yesterday reiterated that "we stand firm – we can build an underground for a total cost, excluding financing, of Bt1.5bn ($60m) per kilometre. That's not so very different from BTSC's figures of Bt1.05bn for costs excluding financing."

Beyond those nagging fears may lie the answer...



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INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−162.5	0.7623	100.0
1986	230.9	−140.6	−152.7	0.9836	80.2
1987	220.2	−131.8	−145.0	1.1541	70.3
1988	272.5	−100.2	−107.5	1.1833	66.0
1989	330.2	−99.3	−92.2	1.1017	69.4
1990	309.0	−79.3	−72.1	1.2745	65.1
1991	340.5	−53.5	−6.7	1.2391	64.5
1992	345.6	−64.1	−51.2	1.2957	62.9
1993	397.2	−98.6	−93.3	1.1705	65.8
2nd qtr.1993	95.3	−25.4	−22.6	1.2069	64.3
3rd qtr.1993	99.7	−27.2	−24.5	1.1443	65.4
4th qtr.1993	107.6	−24.5	−27.7	1.1388	66.4
1st qtr.1994	107.1	−28.7		1.1244	66.8
April 1993	31.5	−8.3	n.a.	1.2214	64.3
May	32.0	−6.9	n.a.	1.2161	63.9
June	31.8	−10.2	n.a.	1.1633	64.5
July	32.7	−9.2	n.a.	1.1349	65.9
August	33.8	−8.9	n.a.	1.1251	65.7
September	33.2	−9.1	n.a.	1.1728	64.7
October	34.6	−9.4	n.a.	1.1597	65.5
November	35.7	−8.6	n.a.	1.1282	66.6
December	37.4	−6.5	n.a.	1.1287	67.0
January 1994	35.3	−9.1	n.a.	1.1139	67.5
February	34.1	−10.7	n.a.	1.1184	66.7
March	37.7	−6.9	n.a.	1.1410	66.1

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	86.9	165.11	124.4
1987	197.3	86.1	75.5	166.58	133.2
1988	219.6	80.7	66.6	151.51	147.3
1989	245.3	70.5	52.4	151.87	141.9
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.8	101.7	90.0	164.05	142.9
1993	300.0	120.8	111.6	130.51	173.8
2nd qtr.1993	73.4	28.6	26.2	132.76	172.4
3rd qtr.1993	79.1	32.2	28.2	120.89	183.7
4th qtr.1993	75.6	30.3	26.9	123.20	180.2
1st qtr.1994	80.9	32.7	28.6	120.95	182.5
April 1993	24.5	10.1	9.9	137.17	167.8
May	23.5	9.4	8.4	134.15	171.0
June	25.3	9.1	7.9	126.97	178.2
July	26.7	11.3	9.7	122.24	181.1
August	26.5	10.2	9.1	116.79	188.2
September	25.9	10.7	9.4	123.63	181.8
October	24.8	9.8	8.9	124.03	180.4
November	25.2	9.9	8.8	121.66	181.8
December	25.7	10.6	9.2	123.92	178.5
January 1994	27.0	11.4	10.1	124.03	177.0
February	26.8	11.2	9.9	118.77	185.2
March	27.1	10.1	8.7	120.04	185.3

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.2*	*21.7*	*2.2260*	*100.0*
1986	*248.3*	*53.3*	*40.3*	*2.1279*	*108.8*
1987	*254.3*	*56.6*	*39.8*	*2.0710*	*115.3*
1988	*272.5*	*61.5*	*42.9*	*2.0739*	*114.6*
1989	*310.3*	*65.3*	*52.3*	*2.0681*	*113.5*
1990	324.4	51.5	38.9	2.0637	119.1
1991	327.4	11.2	−15.7	2.0460	117.7
1992	330.6	16.6	−17.0	2.0187	121.2
1993	310.2	29.9	−18.2	1.9337	124.6
2nd qtr.1993	75.1	7.6	−3.1	1.9530	124.0
3rd qtr.1993	78.6	6.1	−8.7	1.9180	123.9
4th qtr.1993	81.7	11.7	−3.0	1.9161	124.8
1st qtr.1994				1.9370	122.4
April 1993	25.4	2.0	−2.5	1.9489	125.5
May	24.6	2.9	−1.3	1.9548	124.1
June	25.1	2.8	0.7	1.9559	122.6
July	24.1	2.2	−4.0	1.9463	122.0
August	26.5	2.1	−3.0	1.9081	123.6
September	25.9	1.9	−1.6	1.8898	126.1
October	27.4	4.2	−1.9	1.8995	126.2
November	27.4	4.0	0.6	1.9182	124.5
December	26.9	3.5	−1.6	1.9306	123.7
January 1994	26.1	3.4	−1.3	1.9415	122.2
February	27.4	3.1	−2.5	1.9397	121.8
March				1.9259	123.2

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.6	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	−4.6	−3.7	6.9265	103.0
1988	141.9	−3.9	−3.4	7.0354	100.8
1989	162.9	−6.3	−3.6	7.0169	99.8
1990	170.1	−7.2	−7.2	6.9202	104.8
1991	175.4	−4.2	−4.9	6.9643	102.7
1992	182.5	4.6	2.9	6.8420	106.0
1993	177.7	12.9	8.9	6.6281	108.3
2nd qtr.1993	44.3	3.2	1.4	6.6118	109.7
3rd qtr.1993	44.7	3.4	3.5	6.6509	106.4
4th qtr.1993	45.6	4.2	3.5	6.6431	107.3
1st qtr.1994	45.7	2.5		6.5861	108.0
April 1993	14.6	0.95	−0.21	6.5875	110.5
May	15.2	1.58	2.06	6.6636	109.8
June	14.6	0.61	−0.42	6.5842	108.9
July	15.2	1.69	1.27	6.6299	107.0
August	14.4	0.39	1.27	6.6791	105.3
September	15.1	1.29	1.00	6.6465	107.0
October	14.7	1.02	1.17	6.6631	106.9
November	15.0	1.20	0.02	6.6637	108.8
December	15.6	2.02	2.38	6.6025	108.2
January 1994	15.1	0.41	2.44	6.5856	107.9
February	15.0	0.73	−0.64	6.5905	107.6
March	15.5	1.36		6.5782	108.3

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.5	−8.9	−8.0	1536.8	97.8
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−8.3	−18.0	1523.2	100.6
1991	137.0	−10.5	−17.7	1531.3	98.9
1992	137.9	−8.0	−20.6	1591.5	95.7
1993	143.9	17.7	8.2	1836.7	79.6
2nd qtr.1993	36.6	3.9	1.7	1814.2	81.2
3rd qtr.1993	34.2	6.1	3.2	1813.0	79.8
4th qtr.1993	40.4	6.9	3.9	1879.8	77.0
1st qtr.1994				1892.8	76.2
April 1993	11.8	1.1	0.1	1871.4	79.0
May	12.4	1.2	0.8	1793.2	82.2
June	12.5	1.6	0.8	1778.0	82.5
July	14.7	4.4	2.8	1798.8	80.8
August	7.8	0.8	0.3	1804.2	79.7
September	12.0	0.8	0.1	1838.0	78.9
October	13.2	2.3	2.0	1854.9	78.2
November	12.4	1.7	1.6	1880.7	77.0
December	14.8	2.9	0.4	1903.8	76.1
January 1994			−0.7	1892.5	76.2
February				1883.9	76.4
March				1901.9	75.9

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	3.8	0.5890	100.0
1986	108.3	−14.2	−1.3	0.6708	91.8
1987	112.3	−16.4	−7.1	0.7047	90.1
1988	120.9	−32.3	−25.0	0.6643	95.5
1989	137.0	−36.7	−33.5	0.6728	92.6
1990	142.3	−28.3	−25.6	0.7150	91.3
1991	147.7	−14.7	−10.9	0.7002	91.7
1992	145.5	−18.2	−13.6	0.7359	88.4
1993	155.3	−17.6	−14.0	0.7780	80.2
2nd qtr.1993	37.7	−4.2	−4.2	0.7682	80.2
3rd qtr.1993	40.3	−4.2	−2.5	0.7605	81.0
4th qtr.1993	40.2	−4.7	−3.1	0.7636	81.1
1st qtr.1994				0.7554	81.3
April 1993	12.3	−1.8	n.a.	0.7894	80.5
May	12.5	−1.3	n.a.	0.7855	80.5
June	12.9	−1.3	n.a.	0.7837	79.8
July	13.1	−1.8	n.a.	0.7595	81.3
August	13.9	−0.5	n.a.	0.7545	81.0
September	13.3	−1.8	n.a.	0.7685	80.8
October	13.8	−1.2	n.a.	0.7712	80.4
November	13.2	−1.8	n.a.	0.7620	81.0
December	13.4	−1.9	n.a.	0.7573	81.7
January 1994	13.9	−1.2	n.a.	0.7456	82.4
February	13.5	−1.0	n.a.	0.7567	81.0
March			n.a.	0.7649	80.5

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

PM vows to defend veto over Europe

By Philip Stephens, Political Editor

Prime minister John Major last night put preservation of Britain's national veto at the heart of the Conservative campaign for the European elections as opposition parties said the June 9 poll would be a referendum on his leadership.

The launch of the three main parties' European manifestos saw the political truce which followed the death of Mr John Smith disintegrate into a furious row over over how much power each was ready to cede to Brussels.

Mrs Margaret Beckett, the Labour leader, and Mr Paddy Ashdown, the Liberal Democrat leader, said voters would have the opportunity to pass judgement on the government's "dismal" record.

But at rally last night in Bristol, Mr Major launched a bitter attack on his opponents' European policies: "The other parties believe in a federal European state... they would put our national veto at risk."

Using language calculated to appeal to Euro-sceptics, the prime minister insisted the Tories were alone in offering an absolute commitment to preserve the national veto.

He added: "Conservative policy will always be governed – first, last and always – by cool calculation of Britain's national interests".

Earlier, Mr Major had issued a plea to disgruntled Tory supporters not to protest at the government's domestic policies by staying at home on June 9, insisting: "This election is not some trivial opinion poll".

The prime minister's tone suggested that a carefully-crafted manifesto commitment to a positive approach to Europe would be accompanied on the campaign trail by a much tougher emphasis on the defence of British sovereignty.

Mrs Beckett flatly rejected the charge that Labour would give up the national veto in areas such as defence, foreign and taxation policy. But Mr Ashdown conceded that the Liberal Democrats' commitment to closer integration did imply an end to the veto for most decisions.

With all three parties sensing the national mood favours sceptical rather than enthusiastic Europeanism, the Liberal Democrats hedged their commitment to a federal Europe with a promise of a referendum on the next stage of integration.

Mr Major dismissed the idea, arguing the 1996 intergovernmental conference would not lead to any further significant shift in sovereignty from Britain to the EU.

In an effort to prevent renewed unrest among the Euro-sceptics on the Tory backbenches, the prime minister said there was no prospect in the foreseeable future of a single European currency.

But Mrs Beckett revealed a significant shift in her party's policy by leaving open the possibility it might back the idea of a plebiscite on the outcome of the 1996 conference.

The Conservative manifesto as expected attacked the alleged plans of the opposition parties to support a European superstate.

As Mr Kenneth Clarke, the chancellor, dismissed the possibility of an early return by sterling to the European exchange rate mechanism, Mr Major denied there were divisions within the cabinet over the government's platform.

Labour and the Liberal Democrats insisted in their manifestos that Conservative divisions and the opt-outs from the social chapter and a single currency had left Britain powerless on the sidelines of Europe.

Security review amid fears of loyalist violence

By Tim Coone in Dublin

Britain and the Irish Republic are to review security co-operation following the failed bomb attack in Dublin at the weekend, responsibility for which has been claimed by the Loyalist paramilitary grouping the Ulster Volunteer Force.

Northern Ireland secretary Sir Patrick Mayhew and Mr Dick Spring, the Irish foreign minister, attending the formal reopening of the Shannon-Erne waterway on the Northern Ireland border yesterday, used the occasion to review security and the latest progress of their governments' current push for a Northern Ireland settlement in the light of Britain's reply last week to questions posed by Sinn Fein – the IRA's political wing – about the five-month-old Downing Street peace declaration.

Mr Spring said: "We are going to maintain the highest level of security possible both North and South to ensure that we contain any threats of aggression or violence. And we are going to pursue our political efforts to restart political talks and make progress".

Ms Maire Geoghegan-Quinn, the Irish justice minister, said "every possible precaution" was already being taken to prevent such attacks in the Republic – the Irish government had been warned some months ago by the RUC Chief constable Sir Hugh Annesley that "it was a question of when not if" such an attack might take place.

"A ring of steel" along the border would not be sufficient to stop determined bombers she said. Security co-operation between police forces in both parts of Ireland "has never been higher than it is now".

Ms Geoghegan-Quinn said there was concern about possible follow-up attacks after the Dublin bomb and a review of security was under way.

Mr James Molyneaux, leader of the Ulster Unionist Party, yesterday blamed "ambiguity and uncertainty" by the British government over Northern Ireland's constitutional position for encouraging Loyalist paramilitaries "to achieve a balance of terror".

Nonetheless he said he had been encouraged by reports that the combined leadership of the Loyalist paramilitaries are planning to meet this week to consider his recent call for a ceasefire. The government's recent detailed clarification of the Downing Street declaration to Sinn Féin, had also clarified issues for the Loyalists he said.

The Rev Roy Magee, a Presbyterian minister, met leaders of the UVF and UFF in Belfast yesterday and said he did not believe the Dublin attack was the start of a ongoing campaign south of the border, but a "warning shot".

He said the lack of an IRA response to the joint declaration meant the Loyalist paramilitaries still considered themselves in a "state of war" but that whether the IRA respond or not, the Loyalists are showing they also have to be dealt with.

One man died after being shot in a Belfast shopping street yesterday, and two other people were injured in an explosion near a city-centre office used by Sinn Féin members of Belfast City Council.

Dick Spring (left) and Sir Patrick Mayhew at the re-opening of the Erne Waterway which connects Lough Erne in the North with the River Shannon in the south. Restoration has cost £30m Picture: Reuter

Late payments hit UK record level

By Jenny Luesby

Late payments due to UK companies have reached an all-time high, posing "a serious threat" to otherwise healthy businesses, Trade Indemnity, Britain's largest credit insurer, said yesterday.

Companies were waiting on average for a record £145,000 in long overdue payments from their customers in the first quarter of this year, up from £116,000 in the same period of 1993, Trade Indemnity said.

Its survey showed that 18 per cent of invoices were "long overdue" – unpaid 30 days after their due date. The average bill is paid 22 days beyond due date. Smaller companies had to wait longer still – 28 days beyond due date – for payment.

The engineering sector reported an average of 25 per cent of invoices still outstanding 30 days beyond their due date. But an isolated area of improvement came in payments to exporters, 8 per cent of whom reported that they were paid on time in the first quarter as against none in the previous quarter.

The figures will give ammunition to calls for trade creditors to be granted a statutory right to claim interest on overdue debts. At least 34 countries have such measures or have agreed to introduce them.

Mr Kenneth Clarke, chancellor, said in the Budget that the government was considering legislation on the issue.

Of 822 companies surveyed by Trade Indemnity, only 2 per cent reported that all payments due to them had been made on time, lending weight to claims by the Forum for Private Businesses, a small business lobby group, that companies are stalling on invoice payments in order to gain free credit.

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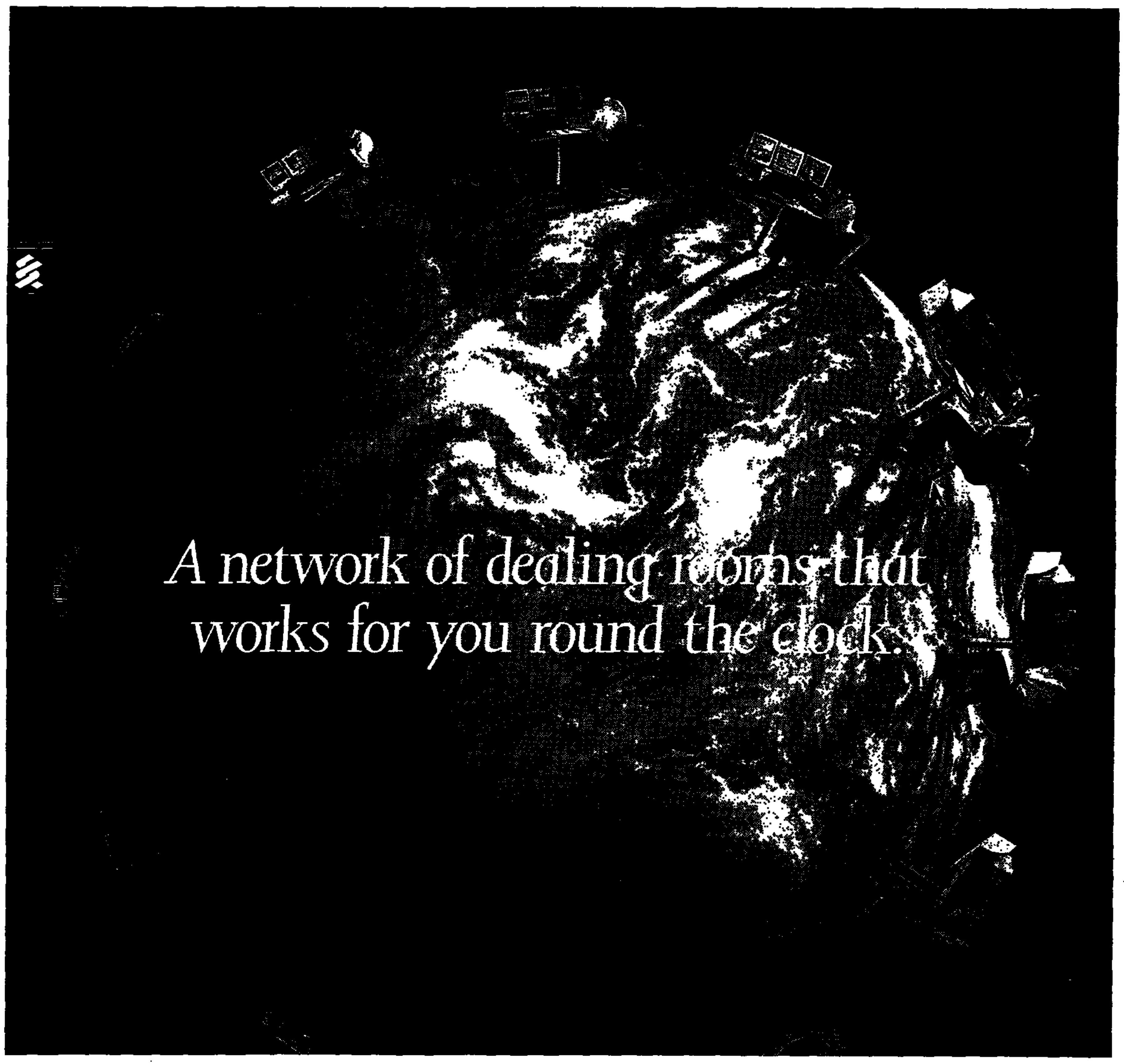

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INTERNATIONAL NETWORKING

Oil sales help close non-EU trade gap

By Philip Coggan, Economics Correspondent

A jump in oil exports helped the UK's visible trade deficit with countries outside the European Union to narrow to £566m in April, compared with £686m in March, according to figures published by the Central Statistical Office yesterday.

Increased North Sea oil production helped produce a £55m surplus on the oil account, the highest surplus since May 1988. Oil exports in the three months to April were 33 per cent higher than in the previous three months.

If oil and erratic items such as precious stones are excluded, the visible trade deficit in April was £686m, virtually unchanged from the £690m recorded in February and March.

In value terms, exports rose 3.6 per cent between March and April, while imports increased by just 1 per cent. The CSO's estimate of the trend is that the value of both exports and imports is growing by ½ per cent per month.

In volume terms, exports were 5.5 per cent higher in the three months to April than in the previous three months, while imports fell by ¼ per cent.

But if oil and erratics are excluded, the pattern is much less favourable; export volumes were 1.5 per cent higher in the three months to April than in the previous three months, while import volumes were 1 per cent higher over the same period.

Apart from oil, there has been strong growth in exports of food, beverage and tobacco and of semi-manufactures. However, imports of finished manufactures continue to grow more strongly than exports, in volume terms.

There is some sign in the figures that the rate of increase in export prices is slowing. Export prices in the three months to April were just 1.5 per cent higher than in the previous three months, while import prices rose by 4.5 per cent. "This is encouraging" said Mr Jonathan Loynes, an analyst at Midland Global Markets "and suggests UK exporters have finally realised they were losing competitiveness in pursuit of higher prices and margins."

However, UBS, the securities house which has issued dire warnings about the UK's trade prospects, is still pessimistic about the outlook. "The non-EU trade deficit appears to have stabilised in recent months" said Mr John Marsland, UK economist.

"Export volumes are proving to be more buoyant, we also expect a significant deterioration in the import bill. Surging domestic demand should ultimately inflate the trade deficit, he said."

Consumers more upbeat on economy, poll shows

By Peter Norman, Economics Editor

April's tax rises appear to losing their power to shock, with Britain's consumers less pessimistic about their own finances and the nation's economic prospects, a survey from Gallup indicated yesterday.

The survey, conducted this month on behalf of the European Commission, found a marked decline in the number of people predicting a worsening of their finances over the next 12 months compared with April's survey when the assessment of household finances appeared close to historic lows. Similarly, people were less worried about the UK's general economic situation.

The May results were still negative and pointed to a "rather bearish view of the economic situation in general", said Gallup. But the showed "a welcome reversal of the very rapid decline in confidence that has been witnessed since the beginning of the year".

Gallup said its poll of 1,991 adults between May 5 and 17 showed that 17 per cent expected their household finances to improve while 39 per cent predicted a deterioration. The resulting balance of minus 22 was "a cause for concern" but an improvement on balances of minus 30 per cent in April and minus 25 per cent in March.

The survey found that 27 per cent of people polled thought the economy would improve while 37 per cent took the opposite view. The balance of minus 10 per cent was much smaller than last month's minus 22 per cent balance.

Less than half the survey sample – 45 per cent – expected unemployment to rise over the next 12 months, although only 19 per cent expected a fall. A fifth of those polled expected price rises to accelerate against 19 per cent expecting a slowdown in inflation.

● Nearly 40 per cent of British businesses polled by Trade Indemnity, the credit insurer, were operating at between 75 and 99 per cent of their optimum rate in the first quarter of 1994, the company said yesterday. Only 3 per cent were operating at less than 50 per cent of optimum, while 22 per cent were at optimum and 6 per cent "overstretched".

Help for Ike's D-Day flag

A £10,000 appeal has been launched to pay for the conservation of the Stars and Stripes flag used by D-Day Allied commander General Dwight D. Eisenhower which now hangs in Salisbury Cathedral.

Ike's personal flag was donated to the cathedral by the US Armed Forces in 1944 and it has hung there next to the colours of the British commander, Field-Marshal Bernard Montgomery.

Restorers say time and the environment have taken their toll on the fragile silk flag, which has had to be removed from display for extensive restoration work.

In this case, specialist textile conservators from the Carpet Conservation Workshop in Salisbury face the added problem that the flag is to be returned to an uncontrolled environment and further deterioration is likely if it remains untreated.

A temporary display of the flag is being prepared and lectures on its history will be given at the cathedral by US textile expert Sharon Manitta – pictured above with Jonathan Tetley – during the fundraising period.

After the war, General Eisenhower served as commander in chief of Nato and then as 33rd president of the United States, between 1953 and 1961. He died in 1969.

Photograph: Trevor Humphries

City dials outside lines to cheaper telecoms

Andrew Adonis on how BT is looking over its shoulder at a new rival

If the City of London is a foretaste of things to come in telecoms, British Telecommunications should be worried. One of the stronger rivals threatening the huge organisation in the Square Mile has been operating for only a few months and has fewer than 50 employees.

Tomorrow MFS, a US carrier providing services in 23 US cities, launches the City's fourth telecoms network; and about a dozen other operators are offering competing services over leased lines.

In the UK as a whole, BT still carries nearly 90 per cent of telecoms traffic, despite the abolition of its monopoly in 1984. In the US, American Telephone & Telegraph, the long-distance carrier, which had its stranglehold over the US market broken in the same year, has been pushed down to well under 70 per cent of its market.

However, in the City of London it is the competitors to BT which boast about 70 per cent of the total market for telecoms services. Mr Michael Hepher, managing director of BT, concedes that BT has lost "more than half" of City business; most analysts put the figure far higher. Nearly all of that has gone to Mercury.

A strict contrast with the US is problematic, since local telephony in the US is mostly in the hands of the "Baby Bells" – the seven regional Bell companies created by the 1984 break-up of AT&T – which are subject to varying degrees of competition in their city business districts. In some cities – including New York, where MFS is a significant force – the Baby Bells are on the defensive, but few if any have received the kind of battering BT has experienced in the Square Mile.

Competitive pressures are weaker still in mainland Europe. State operators' monopolies are still largely intact but are coming under pressure from operators exploiting EU liberalisation rules, but nowhere else are rivals allowed to provide public infrastructure as in the UK.

The attraction of the City of London is obvious: its concentration of large corporate users, with multi-million pound telecoms bills and telecoms managers eager to grasp new opportunities.

Mercury, the first rival to BT established ten years ago, has the lion's share of City business, built up over a decade of under-cutting BT tariffs by ten per cent or more with special discounts for volume customers. Ironically, Mercury may be the victim of its own success. "For us the first move was the most difficult to contemplate," says the telecoms manager of one of the City's leading banks.

"But Mercury taught us two lesson: first, to keep short contracts; and second, that you can cope with more than one carrier fairly easily, providing they are competent." The bank in question now has four suppliers: BT, Mercury, Colt – a US company serving only the City, which has its own 37km fibre network which is being expanded fast – and Worldcom, another US company, which re-sells time on national and international lines leased from other operators.

Worldcom and Colt have developed strong City reputations – over two years in the first case and in just a matter of months Colt, which operates only in the City. Both are products of the liberalisation of telecommunications carried through by the government three years ago, when the post-privatisation duopoly of BT and Mercury was broken.

Both also give the lie to the idea that a modern telecoms company needs a cast of thousands to be plausible. Colt has fewer than 50 staff, mostly on the marketing and account management side. It has contracted out the laying of its fibre network.

"We may seem small," says Mr Paul Chisholm, Colt's managing director. "But because we are focused on the City market, we can give more individual attention to customers than they get from BT and Mercury."

Not all the new operators are competing against each other. Colt, for instance, is concerned only with carrying local traffic and its capacity is being leased by long-distance and international re-sellers such as Worldcom and Esprit, which want a local network to connect to their customers and say they get a quicker and cheaper service from Colt than from BT. Colt is also in talks with Energis – a new long-distance carrier which is erecting its own local network on National Grid pylons – about providing "last mile" connections.

BT and Mercury are fighting hard to retain and increase their City business. Most of BT's traffic from the City now goes through one of the company's five discount schemes for large users, offering savings of up to 16 per cent off standard tariffs for the largest customers.

BT, the underdog, has also set up "Win Back" teams targetting lost corporate clients. It claims to have recouped about £200m of business from Mercury, with Citibank, the Prudential and National Power among them.

"The discounts are likely to increase for large users," says BT's Mr Hepher of Win Back's future strategy. Music to the ears of the City's telecoms managers.

Britain in brief

No right to say "no" to Sunday work

British workers have no protection under European law against being forced to work on Sundays, the Employment Appeals Tribunal ruled yesterday.

Dismissing the appeal of a shopworker sacked for refusing to work on a Sunday, Mr Justice Mummery, tribunal president, said there was no mention in European law of a right to say no to Sunday work. The decision will stand as a precedent unless overturned by the Court of Appeal.

The case was supported by Keep Sunday Special, the lobby group campaigning against deregulation of the Sunday trading laws. Last night it said it was uncertain whether it could afford to appeal further.

Power price cut sought

The biggest companies in England and Wales are hoping for a reduction in electricity prices after senior power industry executives agreed to back a campaign to allow electricity to be bought and sold outside the wholesale trading pool.

Companies such as Imperial Chemical Industries have long complained that by being forced to trade through the pool rather than conclude simpler bilateral agreements with electricity generators they have paid higher prices for power than are justified.

The power industry has been sceptical of pool bypass arrangements, arguing they could lead to companies trading outside the pool avoiding paying a share of costs needed to run the electricity system.

Trade minister visits Malaysia

Speculation is growing that a controversial Malaysian ban on giving government contracts to British companies might be lifted soon following a surprise visit by Mr Richard Needham, trade minister.

Mr Needham arrived yesterday and was scheduled to have a meeting with Dr Mahathir Mohamad, the Malaysian prime minister. Mr Needham said he was carrying a letter from Mr John Major to Dr Mahathir and said he hoped the ban would be lifted soon. Malaysia imposed its ban at the end of February following critical comments about the government in the British press.

Motor trade links with BT

British Telecom and two retail motor-trade associations have joined forces to create what they hope will become an electronic data interchange "highway" for the industry.

The project, which links BT with the Retail Motor Industry Federation – which represents most sections of the retail motor trade including about 7,000 franchised car dealers – and the Automotive Distribution Federation, is aimed at allowing low-cost communications and the undertaking of a wide range of transactions between all parties involved in selling, financing and maintaining motor vehicles.

More EC cash for universities

Research funding from the EC to UK universities rose by 32 per cent last year, but universities said extra research income would not address central problems, which involve capital and pay.

Research grants income from UK industry rose by only 1 per cent, which universities attributed to the recession, but income from this source still accounted for more than 10 per cent of all research funding, at £122.4m, out of £1.106bn.

Accountancy appointment

Robson Rhodes, the UK's fifteenth largest accountancy firm, has appointed a businessman as chief operating officer.

Mr Peter Turnbull, former managing director of Lex Service, the UK's largest car distribution and leasing group, will act as operational head of the firm. The move is a highly unusual example of the appointment of an outsider to help manage the running of a professional practice.

A number accountancy firms have hired specialist outsiders over the last few years, but few have made appointments at such a senior level.

Farm subsidies under attack

Arable farmers in England are receiving £759m a year in subsidies from taxpayers which bring virtually no environmental benefits, the Council for the Protection of Rural England said yesterday.

By contrast, the council said, schemes which encouraged English farmers to adopt environmentally friendly practices received just £27.1m in the last financial year.

Ferry operator cuts fares

Stena Sealink, one of the two main operators on short sea routes, last night announced 20 per cent cuts in prices of services to France.

Sealink's move was in response to the decision by P&O European Ferries last month to offer a 10 per cent reduction on its Dover Calais services.

Eurotunnel last night dismissed any price war as "a matter between the ferries" but price cuts represent an increased threat to the viability of the Channel tunnel, currently engaged in a £1.5bn fund-raising.

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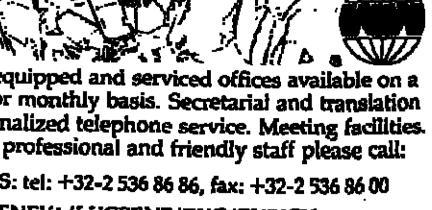

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Getting money out in Moscow can be a more high-tech experience than in the west, reports **Claire Gooding**

Russian banking jumps the queue

At a regional bank in Moscow, a woman of 84 – old enough to remember the last tsar – is examining her plastic card. She approaches a manager who, with charm and patience, explains what it is. She then guides the woman through the process of withdrawing cash at the counter and shows her the gleaming ATM (automatic teller machine) in the corner.

This versatile machine puts western versions to shame. Using colour graphics, and a choice of languages to interrogate users, it zips out bundles of roubles at the touch of a few buttons. For security reasons, its screen can only be read from the appropriate angle by one user at a time: bystanders and others in the queue cannot peek. Unlike more elderly western counterparts, the cash withdrawn will be reflected immediately in the balance shown on the next balance inquiry.

At the counter, people request various transactions using their cash-cards, keying a secret Personal Identification Number into a big keypad. This summons a database record which appears immediately on the cashier's screen behind the counter. The cashier checks the transaction, matching the signature on the printout slip with a facsimile on her screen. She approves it with one keystroke, and out comes the cash, delivered through an automatic chute: ready counted, in the requested denominations.

This is banking in real-time. As with the ATM, the withdrawal will show immediately on the account balance. Supporting this sophisticated service is a roomful of PCs and a tiny box of hard disks, known as Raid (Redundant Array of Inexpensive Disks). The Raid boxes, manufactured by US storage specialist Micropolis, replace the racks of paper files which were previously the Moscow Savings Bank's only customer records.

All this suggests that Russia might actually be ahead of the west in some banking services. A greenfield site in technology terms, and with very little to spend, it has leapfrogged its more privileged counterparts in the west by running real-time banking on a network of personal computers.

This branch of the Moscow Savings Bank was automated by Intermicro Business Systems. This Russian-grown systems integrator has built up remarkable expertise in banking solutions over the last few years.

The background to Russian banking is explained by Leonid Zabezhinsky, IBS's director of banking. "There is a traditional philosophy that it is best to save. Enterprises and factories paid salaries through the bank, and they managed all pensions. Inflation was unheard of and bankruptcy unthinkable.

"In any new suburb, the first building was the bakery. Next came the laundry, the school, the nursery, and then the bank: it was an integral part of common life."


Ahead of the game: Russian customers are being served real-time banking on a network of personal computers

The average customer is not yet used to a "choice" of bank, and simply goes to the local branch, as does everyone else in the suburb. This branch of the Moscow Savings Bank is one of 40 in the region, employing 2,000 staff and running 500,000 accounts each, which in turn will support between 20 and 40 sub-branches (730 in all). In Moscow's 35 boroughs live 15m people: everyone has an account. The branches answer to a regional head bank, of which there are 87 (including Kiev and St Petersburg) at national level.

Unwieldy paper systems are difficult and expensive to service and do not allow the user to visit any other branch. Like paper-based medical records at a surgery, they belong in one place, and stay there. Their effect is easy to see at an old-style branch of the same bank, where customers queue repeatedly for different stages of the transaction.

In the last three years, banks have become anxious to enter the 20th century, says Zabezhinsky. "Five years ago, the first commercial banks started to grow. Eventually, all the people heading them are bankers not by education, but by mentality. In the last two years banks have grown from 12 to 1,000.

"Today the situation is similar to the west: stringent competition using the highest technology. We're using cards with magnetic strips, some smartcards with embedded chips and the customer's picture and signature on the front. We have grasped this technology at the moment of its birth."

SOFTWARE AT WORK

Because the customer belongs to the branch, rather than the bank, it made more sense for the Moscow Savings Bank to start locally, automating from the bottom up, rather than the top down. "In effect, with no centralised technology, it's only possible to have a client of the sub-branch, not of the entire bank," explains Zabezhinsky.

"It was very hard to change the mentality. We see ourselves as business people first and technologists second, whereas many of our programmers still share the old separatist IT mentality."

In making such a leap from the old to the new, the bank met head on the problems of change management. The old woman probably could not have chosen a better person to approach than Helen Taganova, manager of the automation department. She has great sympathy for end-users but also a firm grasp of the new real-time way of banking.

"Our bank doesn't look like most in Moscow. We would never have this system today without our manager, who really drove the project. Practically all the managers of sub-branches were replaced by people who shared the vision."

The IBS solution was chosen as the only "self-supporting" system that could grow as banking changed, rather than reflecting outdated techniques adapted from the west. There were some traumatic staff changes and training was long and thorough for bank staff. "Our task was to work out the technology," says Taganova.

"It is working well, but we have had many changes in implementation. The system checks itself daily, and fulfils all routine standing orders and so on. Audit trails are built in. But sometimes a special request comes up from a client of one of the sub-branches. This has concentrated our attention on special needs. We have created a large menu, and it's easy to add new options.

"I can say that the skills in this department are highly developed enough to solve any banking problem. If we understand the problem, we can find a solution: we're not afraid of any application task," says Taganova.

The ATMs provide a good example of forward planning. "Currently, there are only 10 ATM 'bankomats', and all of them are inside because we had to be sure of reliability and acceptance tests. But eventually they will be everywhere, not just in banks."

There is a Novell network of around 50 PCs inside each branch, connected to sub-branches, all of which have their own local area network. For the head office, the paperwork produced by the computer has to comply with the old-style paper systems. Nevertheless staffing levels have fallen in automated branches, especially in checking and auditing. Errors are rare, and a mere three accountants now oversee 18 sub-branches. Checking for accuracy and logic is done by two people instead of 18.

Telecommunications are the rogue factor in building such networks. They are patchy in Russia: telephone exchanges can date anywhere from the 1940s, so IBS supplies its own channels.

Banks in the UK could make a lot more use of Raid technology in counteracting fraud, for such process-heavy tasks as fingerprinting, according to Trevor Duplock, managing director of Micropolis UK, which supplies IBS with Raid technology.

Anatoly Karachinsky, IBS's founder, saw bank automation as a window of opportunity seven years ago, and has made sure IBS is able to support every area. This means not just tying together the elements of the hardware system but in some cases providing the networking and telecommunications. Analyst Esther Dyson, president of EDventure, a venture capital investor in eastern computer markets, sees IBS as one of the few Russian computer companies that might set its sights beyond Russia. "Karachinsky is a remarkable entrepreneur," she says. "IBS could help make the East become part of a wider world."

Technically Speaking

High price to pay for games at work

By Tom Foremski

A survey conducted last year by the US magazine Information Week found that 90 per cent of the executives questioned said computer games were available in their office. Sixty per cent said they were played several times weekly within their company.

California-based accountancy company SBT estimates that US businesses lose as much as $100bn (£67bn) a year in non-work related use of computers.

Clearly, computer games should not be played for fun at work. There are enough problems over determining what productivity benefits work-related computer use delivers.

While business applications are often described by their creators as "productivity packages", computer games could just as easily be described as productivity killers. Yet the same leading vendors of business software often distribute games with their software. The most popular game in US offices is the card game Solitaire, distributed free with the Microsoft Windows user interface. And US software mail order companies sometimes package special promotional deals that include business software with free games.

Games are also clogging the Internet international network, hampering its use for commercial purposes. The culprit seems to be Netrek, a space exploration game that involves two teams of eight players exploring a computer-generated universe and interacting with each other. It is designed to be played on networks and players say the game is addictive – so much so that at least one US company is trying to work out a way of charging the public to play it.

Computer game developers are well aware that many people play their games in the office. As a result, several games have a feature that flashes a dummy spreadsheet on to the computer display at a touch of a button; this is useful for when the boss walks by.

However, certain games can be beneficial if used to educate staff and allow companies to explore different business cenarios. California-based Maxis, best known for its Sim series of computer games, uses its game software technology to create applications that model business operations. It has developed a package for Pacific Gas and Electric, called SimPower, that allows management to simulate the impact of their decisions on power consumption.

Banning computer games from work altogether would be difficult. But several large corporations in the US such as Sears Roebuck, Coca-Cola Foods and Ford Motor already have restrictions on game playing. Ford uses special software that scans worker's computer systems to make sure there are no games.

However, some smaller companies, especially in the US, approve of game playing as long as it is out in the open. Those which actually encourage game playing at work – mostly in the US – have proper budgets for game purchasing. At some companies, staff at all levels will play games against each other while connected to the office network. This is said to encourage an *esprit de corps*. Even so, its value in increasing company productivity is still questionable.

Computer game players often experience high stress levels during play

Anyone who has played computer games knows how easy it is to lose an hour or more without realising it.

So while a policy to ban computer games at work will certainly be unpopular, it may be a necessary step. If staff want to relax, a short walk outside will certainly be more beneficial.

Studies have shown that computer game players often experience high stress levels during play. And now that computers are so cheap, there are plenty of opportunities for playing the games at home.

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A novel financing deal helped in the rescue of Standard Platforms

Unusual means to a happy end

Last week the London stock market witnessed one of its more unusual corporate rescues. Standard Platforms, a supplier of optical imaging systems, raised £450,000 through a share issue made necessary by a disastrous expansion into the US.

It was not the size of the issue that was unusual, although raising such a small amount would tend to be too small to justify the corporate finance fee.

Nor was the reason for the rescue abnormal – the US has been a graveyard for many UK companies which have thought North America was like their home market, only bigger.

What distinguished the deal was that 30 private individuals subscribed an average £17,000 in a rare, if not unique, example of a business angel rescue.

To make the deal fly, IDJ, the corporate finance company that brought the investors together, took its fee in shares. And 3i, the investment capital supplier, agreed to convert £300,000 of loan stock into equity.

Standard Platforms had enjoyed a short and eventful public existence. With the £1.6m raised when it came to the Unlisted Securities Market in 1990, it had tried to push into the US with a new product.

In the UK it had established a sound customer base supplying bespoke systems to enable the likes of DHL and Securicor to store and retrieve optically the records of thousands of documents they receive daily.

In the US the company had hoped to produce an off-the-shelf version of the software it could sell to hospitals and clinics. Sales never materialised as expected, losses mounted and the US subsidiary was sold.

The shares were suspended in March 1994 at 36p, valuing the group at £1.4m, when at their peak they had traded at over 200p. In the 18 months to September 1993 Standard Platforms had made a pre-tax loss of £1.1m and had net liabilities of £574,000.

"The company was not exactly thriving but it was not bleeding," says Peter Dicks, who has joined as non-executive chairman. "It was dead in the water, not sinking," says John Incledon, chairman of IDJ and the largest new investor in Standard Platforms.

To sell the refinancing to new investors IDJ needed a manager respected in the field. They found Iain Bowles who was, until the week before last, sales and marketing director for the European operation of Fujitsu, the second largest computer company in the world.

It then needed to convince 3i to convert its debt into equity, a move the institution agreed to make if IDJ could get the share issue fully underwritten by business angels.

"Getting the money was relatively simple," says Peter Dicks, non-executive chairman. IDJ went on a series of roadshows and sent 55 people an information package.

IDJ took a week to put the underwriting in place – all 30 investors were required to sign a "hold harmless" letter saying effectively that they were aware their shareholding might prove to be valueless. It pulled off what Dicks calls a "typical US-style wipe-out financing" that diluted existing shareholders to a 22 per cent stake but left the reconstructed balance sheet with net cash of over £200,000.

Could such an angel-backed financing be repeated? First, the group organising such an underwriting needs a well-heeled list of investors who have invested in private companies and know they may be saying goodbye to their capital for a long time, if not for ever.

Of equal importance is the need to bring in good management without which no investors would have been tempted. In the case of Standard Platforms, it remains for Bowles to justify that faith in his abilities.

RG

Tony Andrews

Sir Brian Pearse, now retired, at the Midland Bank head office in London

The view from Bournemouth

Former Midland Bank chief Sir Brian Pearse talks to **Richard Gourlay** about lending to small companies

Earlier this month Sir Brian Pearse spent an uncomfortable few hours in Bournemouth, southern England. Speaking to an invited audience of 250 businessmen, Sir Brian was shocked to hear that antagonism towards the banks was quite so pronounced.

"I thought things were getting better but I am beginning to wonder," says the man who retired as chief executive of Midland Bank, the UK high street bank, in March. "The strength of anti-bank feeling was quite strong. The relationship is still disappointingly adversarial."

This continuing tension between banks and their customers is something Sir Brian believes has to be addressed if Britain's unemployment problem is to be tackled.

Smaller businesses, which will be creating the jobs in future, cannot do without the banks. And the banks, which he says have probably only broken even servicing smaller companies over the last 10 years, have to find a way to make this business profitable.

Sir Brian, who is sometimes seen as a traditionalist, believes this cause will be best served by better implementation of old-fashioned banking principles – getting closer to customers, understanding their businesses, plans and management.

But he says there is also a place for banks to look at other sources of income – such as taking equity stakes or equity options in customers' businesses as part of a normal banking relationship.

Sir Brian's desire "to do something about unemployment" was one reason he has just accepted the post of chairman of the Housing Corporation. The largest government quango, the corporation supervises the non-profit-making housing associations which own and manage 700,000 rented homes.

But he has long believed that smaller companies should play a central role in creating jobs.

He became particularly alarmed by the way relationships were developing between the banks, smaller businesses and the government at the end of 1992. It was a time when banks were being accused of benefiting most from base rate cuts. "The prime minister even said in a Guildhall speech that he just hoped an interest rate cut would get passed on to the customers," Sir Brian says.

Until last week's Bournemouth meeting, Sir Brian thought things had been improving. The government, he says, had largely delivered what it promised, improving the loan guarantee scheme, replacing the Business Expansion Scheme and taking some action on late payment of debts.

From the other side of the fence, banks were encouraging businesses to recognise they were too dependent on overdrafts and should look at longer term forms of finance.

He accepts that the banks have made mistakes. They should, for example, never have moved decision makers to big banking centres from the field, where they could maintain strong links with their customers. Midland is now reversing this and has put 208 senior head office bankers back into the field after retraining because, as Sir Brian says, "some have lost the ability to lend".

But Sir Brian believes the people who run smaller businesses are partly to blame for poor relationships with the banks. There is, for example, a "startling lack of training" among businessmen and women.

He compares the ease with which people can set up in business in Britain with the German experience, where overall training levels are monitored and approved by local chambers of commerce. "Far too many people have gone into business who should not have gone into business," he says.

Too many businesses are under-capitalised, he says. And too many businessmen are unrealistic about what they should pay the banks for overdrafts, a form of finance which is often effectively risk capital. Too many businessmen "expect equity on debt prices and quite cheap debt prices", he says. "Customers don't think: 'how much of my own money can I get into my own business', but, 'how much can I borrow', a startling difference with Germany."

Sir Brian is not overly-enthusiastic about banks taking equity stakes in their customer's business, but believes there is a case for taking options and "phantom options" – instruments that allow the bank a share of any up-side in the business in addition to their regular loan margin.

"Options and phantom shares allow you to lend slightly more generously," he says. They also mean bankers would have to become more involved in the way the businesses was running.

Small steps to an equity stake

How close are we to the day when banks regularly take equity stakes in the businesses to which they lend?

Among the UK high street banks, Midland is one of the closest to making such a move part of every day banking.

Among others, only Royal Bank of Scotland is developing equity products along similar lines through its specialised lending services division.

Midland's starting point is the recognition that the returns banks have made from smaller businesses have been poor.

Too often banks have been lending what is effectively risk capital but have only earned a debt return.

"The boards of all the banks must be very disappointed by the returns they have made from this sector over the whole business cycle," says David McMeekin, corporate finance director of Midland Bank.

Midland's response is modest but a pointer to where small business banking may be going:

- At the smallest level, Midland is developing a product that would allow business banking managers to make relatively small but unsecured loans to well-managed companies with inadequate security but robust cash flows. The bank would take equity options or a form of "phantom options" – instruments that carry rights to some up-side reward – which the owner-managers will be encouraged to buy back from the bank. Midland accepts that it will need to continue training bankers to recognise when equity could be useful and relevant.
- Since 1990 Midland, in common with some other banks, has adopted just this approach for bigger customers with the same characteristics. For private companies and smaller quoted companies, the bank will consider taking equity options. With middle-sized family controlled companies, where a float is unlikely, it will consider lending unsecured but will take phantom options.
- Nearer to conventional venture capital but targeted at companies requiring as little as £5,000-£150,000, there are 10 independently managed Midland Enterprise Funds. An 11th office is to open in Wales on June 21. They look at start-up and early-stage finance. To cut the set-up costs, Midland has introduced standardised documents. By many accounts this is proving a labour-intensive slog.

RG

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Pursuant to Condition 7 of the terms and conditions of the 2003 Bonds, notice is hereby given that the conversion price of the 2003 Bonds will be adjusted, as a result of a capital distribution on the ordinary shares in English China Clays plc satisfied by the allotment and issue of CAMAS plc shares to the ordinary shareholders of English China Clays plc, as follows:

1. The adjusted conversion price will 375p per ordinary share of 25p each.

2. The adjusted conversion price takes effect on the first day of dealings in CAMAS plc shares, expected to be 1st June, 1994. The adjustment is subject to the approval of the capital distribution by English China Clays plc shareholders.

English China Clays plc
1015 Arlington Business Park, Theale,
Reading, RG7 4SA
23rd May, 1994

CONTRACTS & TENDERS

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PAKISTAN PETROLEUM LIMITED

PREQUALIFICATION OF CENTRIFUGAL COMPRESSOR MANUFACTURERS FOR WELL–HEAD NATURAL GAS COMPRESSION FACILITY

Pakistan Petroleum Limited (PPL) invites applications from reputable manufacturers of centrifugal gas compressors to prequalify for the supply of a major equipment package.

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This is a critical well-head compression application calling for a high level of availability/reliability with a design life requirement of 30 years.

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Process Gas	Sweet natural gas having 94 mol % Methane and 1.25 mol % Carbon Dioxide.
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Suction Temperature	65 Deg C max
Mass Flow Rate (each compressor)	40,000 Nm3/hr until the suction pressure declines to about 39 bar abs. For further decline in the suction pressure the mass flow rate will be limited to that achievable with the maximum site-rated power of the driver.

To prequalify for tendering it is essential that:

a) The manufacturer shall be able to offer suitable equipment meeting the specifications appearing above, and the equipment so offered shall be validly similar in power rating, speed, discharge pressure, mechanical design, materials and rotor dynamics to at least three units previously produced by the vendor at the proposed manufacturing plant, each having a satisfactory operating experience of at least 3 years. Equipment manufactured under licence, shall in addition, have the licensor's written guarantee.

b) The manufacturer must have prior experience of acting as a prime vendor for equipment supply for projects of similar nature and magnitude.

c) The manufacturer must have experience of supplying equipment for operation in remote semi-desert sites in Middle East/Far East countries and must be fully aware of operating/environmental conditions at such sites.

d) The manufacturer must demonstrate his ability to provide a continuing after sales service and spares to the buyer.

e) The ability/experience to closely coordinate and liaise with a UK based contractor during the engineering and testing/commissioning phases must be demonstrated.

Prequalification documents shall be completed by prospective tenderers and the information so provided will be used to determine which manufacturers will be invited to tender for the package.

The Prequalification documents can be collected by bona fide compressor manufacturers or their specifically authorized agent before 1600 hrs on 31st May, 1994 from:

1) Materials and Purchasing Manager
Pakistan Petroleum Limited
PIDC House, 4th Floor,
Dr. Ziauddin Ahmed Road,
Karachi, Pakistan.
Tel: 92 21 5683853–57 (5 lines)
Fax: 92 21 5680005 and 92 21 5682125

OR

2) Resident Representative
Pakistan Petroleum Limited
House No. 12, F–8/3,
Street No. 72,
Islamabad, Pakistan.
Tel: 92 51 250870 and 92 51 851091
Fax: 92 51 261466

The completed Prequalification documents are required to be submitted before 1600 hrs by 16th June, 1994 at either of above addresses.

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GREEK EXPORTS S.A.
ANNOUNCEMENT OF A PUBLIC AUCTION

Greek Exports S.A., established in Athens at 17 Panepistimiou Street and legally represented, in its capacity as Liquidator, following Decision No. 538/1992 of the Piraeus Court of Appeal and in accordance with article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991, and in conjunction with article 23 of Law 2198/1994 and the order dated 7/4/1994 of the undersecretaries of Finance and Industry.

announces

a public international action for the highest bidder, with sealed, binding offers for the purchase, in toto, of the assets of Neorion Shipyards Syros S.A. established at Ermoupolis, Syros, 1 Neoriou Street, which is under special liquidation and which will henceforth be referred to as "the Company".

Activities and brief description of the Company

The Company is engaged mainly in the repair, conversion and building of ships as well as various industrial constructions (railway cars, wind generator bases, etc.). The Company's productive installations are at Ermoupolis, Syros on a self-owned plot of land about 27 stremmas (1 stremma = 1000m²) in area and on an area of about 33 stremmas released for the Company's use by the state. The Company also owns, besides its installations, other plots of land totalling about 50 stremmas on the island of Syros. It also owns 386 thousandths of a plot of 505.68m² in Piraeus (67 Akti Miaouli) on which a multiple-storied building has been erected and in which the Company owns an area of 1,592.71 m² in the building.

It is to be noted that in accordance with article 23 of Law 2198/1994, out of the total assets of the Company to be sold, the following are excepted:

a) The building of the old lazaretto with a total area of 3,000.15m² and buildings totalling 668.5m² (Old Prison building) in the Lazaretta district of the Municipality of Ermoupolis.

b) The ruined building and plot of land totalling about 2,680m², the former cartridge factory, opposite the Vardakion, within the Municipality of Ermoupolis.

c) The old Velissaropoulos factory totalling about 5 stremmas in which the Company's Workers' Consumer Cooperative is housed, also within the Municipality of Ermoupolis.

The above-mentioned properties a), b) and c) are excepted from the Company's assets for sale, as they are to be transferred to the local authorities of the island of Syros.

d) The floating dock "AVLIS" (see details on page 19 of the Offering Memorandum).

Also, as analysed and explained in the Offering Memorandum, the highest bidder must clearly waive his rights, in the sale contract, to a special claim pending before the American law courts and included in the Company's balance sheet of 31/12/1992 under clients and creditors' litigation accounts, against the owning company of the m/v EAGLE.

Two floating docks are in operation at the shipyards which can take ships up to 75,000 and 40,000 dwt. respectively, equipped with two 10-ton cranes and one 10-ton and one 15-ton crane respectively. Piers are available for ships up to 160,000 dwt for repairs outside drydock. These piers are served by 4 travelling cranes with capacities up to 40 tons. For the disposal of slops, the Company operates the slops barge LANADO II. There is also a 200-ton floating crane.

The shipyard has five tugboats and a small motorship used for transporting sandblasting equipment and large objects. Thanks to the suitable climate, internal sandblasting is also carried out with modern equipment.

Terms of the Auction

1. Parties interested in taking part in the auction are invited to receive from the Liquidator the Offering Memorandum and the draft Letter of Guarantee in order to submit a sealed, binding offer to the Ermoupolis, island of Syros notary public appointed to the Auction, Eleni Asmani, 7 Mitropoliti Antoniou Politi Street, tel. +30-281-27201, up to 1900 hours on Thursday 16th June 1994.
   Bids must be submitted in person or by a legally authorised representative.
   Bids submitted beyond the time limit will not be accepted or taken into consideration.
2. The bids will be unsealed before the above-mentioned notary at 1000 hours on Friday 17th June 1994 with the Liquidator in attendance. Bidders who have submitted their offers within the prescribed time limit can also attend.
3. The sealed, binding offers shall clearly state the offered price and the method of payment for the purchase, in toto, of the Company's assets and shall be accompanied, on penalty of nullification of the offer, by a Letter of Guarantee from a bank legally operating in Greece to the amount of two hundred and fifty million drachmas (Drs. 250,000,000) or its equivalent in US dollars.
4. The Company's assets and all fixed and circulating property, claims, trademarks, titles, rights, etc. are to be sold and transferred "as it, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company's shipyard is operating or not.
5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90 article 46a, para. 1 as in force), shall bear no liability for any legal or actual defects or for any deficiency in the particulars of the effects for sale or rights, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.
6. Prospective buyers, hereinafter referred to as "Buyers", shall be obliged, on their own responsibility and due care, and by their own means and at their own expenses, to inspect the object of the sale and form their own judgement and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90 article 46a, para 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.
7. The essential criteria for evaluating the offers by the Liquidator, among others, shall be the amount of the offered price, the assurance of as many as possible job positions, the business plans of prospective buyers and their creditworthiness.
8. The offers must not contain terms on which their bindingness is dependent nor must there be any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the undersecretaries of Finance and Industry have the right, at their inconstestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders.
9. The bids must contain a commitment by the buyers that the Company shall continue to operate as a shipyard for at least six (6) years and that they shall transfer immediately, without anything in return, at least five per cent (5%) of the shares to the workers, as indicated by their union and/or the local authorities of the island of Syros.
10. The highest bidder shall be deemed the one whose offer was evaluated by the Liquidator and judged by the undersecretaries of Finance and Industry to be in the best interests of the creditors and for the national economy at large.
11. In the event that the party to whom the assets for sale have been adjudicated does not appear to sign the sale contract within twenty (20) days from being invited to do so and fails to abide by the other obligations accruing from the present announcement, then the above mentioned guarantee of two hundred and fifty million drachmas (Drs. 250,000,000) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, and any actual or hypothetical loss sustained, with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as a penalty clause, and collect it from the guarantor bank.
    Letters of guarantee accompanying the offers shall be returned to all participants except the highest bidder immediately after the ratification by the undersecretaries of Finance and Industry of the adjudication to the highest bidder.
12. The Liquidator shall not be liable to participants in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is considered to be unsatisfactory by the Liquidator or by the undersecretaries of Finance and Industry.
13. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.
14. Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgagor's fees, rights and other expenses for drawing up topographical diagrams as required by Law 651/77, etc) are to be borne by the Buyer.

Interested parties should apply for further information to the head office of the liquidating company GREEK EXPORTS S.A., 17 Panepistimiou Street, 1st Floor, Athens, Greece, tel. +30-1-324.3111 to 115.

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BUSINESS AND THE LAW

Ruling on car quotas queried

EUROPEAN COURT

A European Commission decision not to investigate a complaint by consumers against an agreement restricting imports of Japanese cars into the UK was overturned last week by the European Court of First Instance.

The complaint concerned an agreement between the British Society of Motor Manufacturers and Traders (SMMT) and the Japan Automobile Manufacturers Association (JAMA) restricting the export of Japanese cars to the UK to 11 per cent of the total annual UK car sales.

The European Consumers Association (BEUC) and the National Consumer Council (NCC) argued the agreement was contrary to the Rome treaty's ban on restrictive agreements. They also alleged restrictions on access to the market resulting from the agreement constituted an unlawful abuse of a dominant position by SMMT.

The Commission took the view that there was not a sufficient Community interest in opening a formal investigation procedure since the agreement would be terminated soon by the EC/Japan consensus on car exports. Under this, the EC committed itself to abolishing national restrictions of any kind by January 1 1993, while Japan accepted a transitional period until December 31 1999 to facilitate the adjustment of Community manufacturers to adequate international competitiveness.

The Court treated the Commission's letter to the consumer groups as a definitive rejection of their complaints. The Commission's letter stated three grounds. Each justified the way the Commission exercised its discretion on competition complaints as recognised by the CFI in the Automec II case (T-24/90).

The CFI confirmed the Commission was not bound to investigate a formal competition complaint. But it reiterated the Commission was obliged to consider carefully the factual and legal issues brought to its attention by a complainant, to assess whether those issues indicated conduct liable to distort competition within the common market and affect trade between member states.

Where the Commission rejected a complaint without an investigation, the purpose of judicial review by the CFI was to ensure that the challenged decision was based on a correct assessment of the facts and was not invalidated by any error of law, manifest error of assessment, or abuse of power.

The court held all three grounds invalid. The first and main ground was undermined by a manifest error of assessment. The main reason given for not investigating the past and present SMMT-JAMA arrangements was that there was no reason to doubt that the arrangements would end by January 1 1993 because of the commercial consensus on car exports.

None of the documentary evidence relied on by the Commission established this would necessarily happen. In particular, the Commission failed to explain why the transitional regime to December 31 1999 would be based on anything other than the agreement. It was not impossible, therefore, that the arrangements for implementing the transitional regime were incompatible with EC competition law.

The second ground was wrong in law. The Commission wrongly treated the agreement as if it were a national measure of commercial policy by relying on its past approval by the UK, when it merely involved private economic operators. The fact that the agreement was known, permitted or even encouraged by national authorities did not exclude the competition rules.

The Commission's third ground for rejecting the complaint, namely that the alleged infringement did not significantly affect trade between member countries, was also wrong in law and insufficiently reasoned.

It could not be justified solely by asserting that the infringement did not primarily concern trade between member countries. The CFI considered the arrangements, by their very nature, were liable to impair the functioning of the common market and the natural movement of trade because they restricted imports into the Community and affected the entire territory of a member country.

T-37/92, BEUC and NCC v Commission, CFI 2CH, May 18 1994

BRICK COURT CHAMBERS, BRUSSELS

The Inland Revenue has its eye on partners who plan to exploit tax changes, warns **Robert Rice**

Measure for measure

Tough measures against tax avoidance, designed to limit the scope for the UK's 9m self-employed people to exploit changes in personal taxation, have been outlined by the Inland Revenue.

Many accountants had described the changes in personal taxation for the self-employed, announced in the 1994 Finance Bill, as a significant, one-off, tax-planning opportunity for UK partnerships. The bill covers the introduction of self-assessment, and the changeover from taxation on a preceding-year basis to a current-year basis from the 1997-98 tax year.

But the Inland Revenue's announcement has made this opportunity less attractive.

Mrs Denise Catterall, a tax partner of accountants Coopers & Lybrand, had said that transitional rules, while the changes were being introduced, would enable partnerships to plan their tax payments. For partnerships in existence on April 5 this year, 1996-97 will be a transitional year. Under the transitional provisions, tax paid in 1996-97 will be a 12 months' average of the tax payable on the profits arising in the two years to April 5 1996.

Thus for a partnership with a year end of April 30, the relevant accounts on which tax will be assessed for the transitional year 1996-97 will be for the periods May 1 1994 to April 30 1995 and May 1 1995 to April 30 1996. Tax will be payable on 12/24ths, or half, of those results.

To take advantage of the transitional rules, partnerships anticipating any large or unusual items of income were advised to try to ensure payment would be made during the transitional assessment period, as it would effectively be halved for tax averaging purposes. Equally, large one-off items of expenditure, such as refurbishment or redundancy costs, ought to be kept out of the assessment period, because a firm would effectively get tax relief on only half.

Some partnerships may have already followed this advice. Firms with 1993-94 financial year ends which have passed may have brought forward exceptional items of expenditure into the 1993-94 tax year or delayed receipt of exceptional income to place it in the 1994-95 tax year. Partnerships which have not yet reached their financial year end could still take advantage of the tax-planning opportunity.

But their efforts may have been in vain. When details of the new system were announced, the Inland Revenue also made it clear that it would bring forward a narrowly targeted anti-avoidance measure. Details of how this will work in practice will not be known until next year's finance bill is published, but the Revenue has now published guidelines.

The Revenue identifies four "triggers" which may bring the anti-avoidance rules into play. Two of them – transactions with persons with whom the taxpayer has a family or proprietorial link, and arrangements with unconnected persons which are wholly or partly reciprocal or self-cancelling – are fairly straightforward. But the other two – a change or modification of an accounting policy, and

any changes in business behaviour – could present problems.

Mrs Catterall says, as presently envisaged, the last trigger is very widely drawn. It appears to mean that any change in a settled practice of a partnership in relation to the timing of things such as the invoicing of customers and the collection of debts, or the purchase of goods and services, the incurring of business expenses and the settlement of debts, could trigger the anti-avoidance rules.

This could catch a law firm which, in an effort to become more efficient, decides to speed up its billing procedures. "The last trigger effectively gives the Revenue wide-reaching powers to allege that higher profits in the affected transitional periods constitute avoidance of tax," she says.

There are defences to a charge of tax avoidance, but they are narrowly drawn and the onus will be on the taxpayer to prove the Revenue does not have a case.

Once the Revenue has challenged a change in accounting policy or business behaviour, it will be satisfied that avoidance has not taken place only if the taxpayer can show:

- that obtaining a tax advantage was not the main benefit, or one of the main benefits, expected to arise from the change;
- or that the change was undertaken solely for bona fide commercial reasons.

Obtaining a tax advantage will not be regarded as a bona fide commercial reason. However, as obtaining a tax advantage is always likely to be at the back of the mind of the well-advised taxpayer as "one of the main benefits" arising from a change of business behaviour, it will not be easy to satisfy either of these defences, Mrs Catterall says.

But the real sting of the anti-avoidance proposals is in the tail. If the taxpayer tries but fails to convince the Revenue that one of the defences is satisfied, the penalties are heavy.

Where, for example, it is shown that profits have been moved into the transitional period, then those profits will be taxed in full (at 40 per cent in the case of a higher rate taxpayer) in addition to being taxed as part of the averaged profits for the two years to 1996.

In other words, the profits caught by the anti-avoidance rules will effectively be taxed one and a half times, or at an equivalent rate of 60 per cent.

There is time to try to persuade the Revenue to water down the penalties before the finance bill is published early next year. In the meantime, with further guidance from the Revenue as to how the anti-avoidance rules will work in practice unlikely, partnerships still contemplating taking advantage of the tax-planning opportunity must tread carefully.

Waste of an opportunity

The UK stance on market dominance has come in for criticism

Last summer the UK government backed away from making radical changes to the rules on abuses of market power by dominant companies. Its decision to do little more than tinker with the present regime was a victory for the Confederation of British Industry and the industry lobby which had opposed the prospect of heavy fines for practices such as deliberately pricing goods too cheaply or refusing to supply certain outlets.

Not all companies were pleased, however – particularly those operating in a market dominated by one organisation. They feared that the government's decision would send the wrong messages.

In the UK's animal waste market, for instance, such fears are strong. Last week three small independent companies went to the Office of Fair Trading to protest at the lack of action on recommendations made last July by the Monopolies and Mergers Commission to curb abuses of market power by Prosper de Mulder (PDM), the UK's leading animal waste rendering company.

Last year's MMC inquiry marked the third time in a decade that the UK competition authorities had probed the animal waste trade.

In 1985, the MMC found that PDM's strategy of growth by acquisition had been harmful to abattoirs (the main source of read meat waste), and that PDM had used its market power to respond aggressively to competitors seeking to capture its raw material sources. It found PDM's pricing policy was designed to exploit or maintain its monopoly. PDM gave undertakings that included an agreement to notify the OFT before it bought any further animal waste companies.

In 1991, PDM's purchase of the animal waste interests of Croda was referred to the MMC. The commission found the merger would have an adverse effect on competition, but cleared it on the grounds that Croda was a declining competitive force and the deal would improve PDM's efficiency.

By autumn 1992, when the industry was again referred to the MMC, PDM had bought several small animal waste collection businesses without notifying the OFT, and mothballed the waste rendering plant at Market Harborough, Leicestershire, bought from Croda.

Last year's MMC report found serious breaches by PDM of the 1986 undertakings and widespread discriminatory pricing. The MMC recommended that PDM should be required to publish weekly a representative sample of prices and charges from October, dispose of its Market Harborough plant within six months, and be prohibited from making further acquisitions without OFT approval, and that the 1986 undertakings be tightened.

Ten months later, PDM is not publishing weekly prices and has not disposed of the Market Harborough plant. The three companies that complained to the OFT last week say competition in the industry could be wiped out.

The OFT's official response is that consultations with PDM are continuing and that "there is no reason to suspect that consultation should not be concluded satisfactorily". PDM said yesterday it could not comment, as the matter was under discussion with the OFT. But it denied it was in any way responsible for the delay in implementing the MMC's recommendations.

Wherever the blame lies, competition lawyers say the failure of the authorities to ensure effective competition in the animal waste industry underlines the weakness of the UK system for tackling anti-competitive behaviour by dominant companies. As one lawyer close to the case says: "It's a classic example of why the government was wrong in rejecting a tougher law on abuse of market power."

Robert Rice

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hold amongst the world leaders in Electromechanics, creating specific responses to the problems posed by economic development in the sectors of Industry, Power and Transportation. Our strength in these fields, together with our operational flexibility and our commitment to research, assure for us in the future as well, the conquest of new spaces and the creation of products and services still ever more advanced and personalized.

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F I N M E C C A N I C A I R I G R O U P

PEOPLE

David Gelber joins the 'enemy'

Derivatives broker Intercapital has always had the reputation of throwing some of the best parties in the business. David Gelber, at that time chief operating officer of Midland Global Markets, walked into last year's thrash, which had the Wild West as its theme, to find a poster on the wall: "Grisly Gelber – wanted for cutting brokerage".

Gelber, 45, acknowledges the irony that he, once the scourge of the brokerage business because of his attempts to force down commission levels, should be joining the "enemy". He has just been appointed group managing director of Intercapital, reporting to chairman and founder Michael Spencer.

A veteran of Citibank and Chemical, and Hong Kong Bank before its merger with Midland, Gelber left Midland Global Markets in April. "My first love is derivatives," says Gelber, who, despite his managerial role at Midland, is basically a trader through and through, and sees himself as one of the pioneers of the swaps market. "I've had it with huge organisations."

When Midland and Hong Kong Bank merged, he says he accepted the chief operating officer slot because it was "a big position. I guess I had more grey hairs than most people. Someone needed to do the job." But after a while he appears to have fallen out with Guy Heald, a colleague from Chemical days, and now head of Midland Global Markets. "One grows apart – like a marriage," is all Gelber will say.

He admits that the Intercapital job came as rather a bolt from the blue. But the entrepreneurial challenge fits the bill. He points out that he has always been attracted to a variety of growing businesses; he was, for instance, a founder director of Café Flo, the London brasserie chain.

"Intercapital has grown beyond anyone's expectations," Gelber says, explaining the need for the new position at the 8-year-old company. Between its offices in London, New York and Tokyo, it now employs more than 200 people. "I was brought in to lend some management expertise to a growing organisation."

Asked whether he had injected capital into the venture, Gelber refused to comment.

David Cairns to leave Accounting Standards

David Cairns is to retire as secretary general of the International Accounting Standards Committee next March, after ten years in the job.

His departure, which came as a surprise to many within the accounting world, will coincide with a period of great change for the organisation.

Cairns, 47, said yesterday that he had decided he wanted to try a different job after a decade and to leave while he was still enjoying his work.

He said he had no specific plans on what he would be doing next, although he hoped to use the skills gained in international accounting, perhaps as a consultant to a firm or multinational company.

By the time of his departure, the committee will have completed both a restructuring and its comparability and improvements project which was designed to reduce the number of alternative types of financial reporting.

- **Dirk de Jong** has been promoted to md of Van Meer James Capel, JAMES CAPEL HOLDINGS' Dutch subsidiary in succession to Jonathan Elwes who had been interim md.
- **Nick Barton**, formerly a director of NatWest Markets' corporate finance, has been appointed a director in SWISS BANK Corporation's mergers and acquisition division.
- **Bahman Jahanshahi**, former director of corporate finance at Swiss Bank Corporation, has been appointed head of structured finance at CREDIT SUISSE.
- **Edward Lester**, former head of corporate finance at Forward Trust Group, part of HSBC, has been appointed chief executive of MOTABILITY FINANCE.
- **Peter d'Anger** has been appointed a director of SECCOMBE MARSHALL & CAMPION.
- **Nicholas Kent** and **Victoria Killay** have been appointed directors of CDC INVESTMENT MANAGEMENT; they move from Brown Brothers Harriman Investment Management and IDS International, respectively.
- **Teresa Keyes** (below), a senior vice-president of The NORTHERN TRUST Company, has been appointed manager of global custody operations in London.

No Rathbones left on Rathbone board

Management changes after the Rathbone Brothers agm have left the private client and asset management group with a new post of managing director and without a Rathbone on the board.

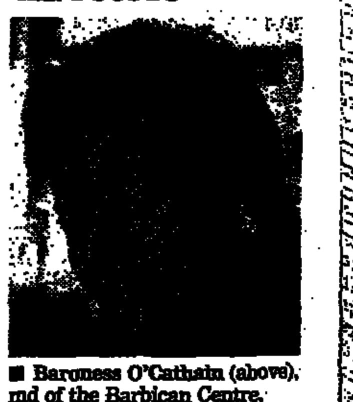
Roy Morris, 52, who has been managing director of the group's Liverpool operation, becomes group managing director. In a separate move, Sebastian Rathbone, 61, has resigned from his post as vice-chairman of the group, though he will remain a non-executive director of the main trading subsidiary which deals with investment banking and fund management.

Morris says his new role would involve spending more time in the London office, but reflected the importance of the Liverpool operation, which contributed more than half the group's profits last year.

One of his tasks, he said, would be to achieve more integration between the two UK offices. He joined Rathbones 37 years ago and has been based in Liverpool ever since; he is "looking forward to expanding my horizons".

Rathbones' yet-to-be-appointed vice-chairman will probably be non-executive. As for keeping the family connection, Morris commented: "We're looking to have younger Rathbones in the group in the near future."

Non-executive directors



- **Baroness O'Cathain** (above), md of the Barbican Centre, at BET.
- **Sir Derek Hornby**, chairman of the British Overseas Trade Board, at AMP ASSET MANAGEMENT; Eric Lyall has retired.
- **William Shaw** as chairman at SOUTHERN BUSINESS GROUP.
- **Peter Wood**, chief executive of Ellis and Everard, at GRAHAM GROUP.
- **Ian Clubb**, finance director of BOC, at OWNERS ABROAD.
- **Anne Ferguson**, former head of corporate communications for ICI and former chair of the advisory committee on advertising to the government, at CAPITAL RADIO; Cob Stenham and David Maule-Ffinch have resigned.
- **David Callear**, group finance director and deputy chief executive of Jeyes, at DALE ELECTRIC INTERNATIONAL.
- **Bobby McAlpine** has retired from ALFRED McALPINE.
- **David Price**, deputy chairman of Mercury Asset Management, Beatrice Philippe, md of Pan-Holding SA and councillor of the French American Chamber of Commerce in New York, and Ed Wallis, chief executive of PowerGen, at MERCURY EUROPEAN PRIVATISATION TRUST.
- **Brian Smith**, chairman of BAA and former chairman of Metal Box, as chairman of HYDRON.
- **David Whitaker**, chairman of Wemyss Development and former senior partner of Ernst & Young's Edinburgh office, at SECURITIES TRUST OF SCOTLAND.
- **Niven Duncan** as deputy chairman at NEW LONDON CAPITAL.
- **Lindsay Mackinlay**, retired director of Rowntree, as chairman-elect of BRADFORD & BINGLEY Building Society, taking over on the retirement of Donald Hanson next April.

Self-indulgent attitudes

William Packer finds Spanish conceptualism in Manchester all too familiar

To enter the exhibition, *Ideas & Attitudes*, at Manchester's Cornerhouse, is to go back in time. The work may have come from the far-away-and-long-ago of Spain in the 1970s and General Franco's declining years, yet how familiar it all seems, and how comfortably old-fashioned. Switch a few names, English for Spanish – Keith Arnatt, John Hilliard, Tony Carter, Stuart Brisley, Rita Donagh or Michael Craig-Martin for Josefina Miralles, Antoni Muntadas, Carles Pujol, Jordi Benito, Pere Noguera or Benet Rossell – and would we notice a difference? Not much.

Those were the days, as though Dada and Surrealism had yet to be dreamt of, Duchamp yet to rip the bowl from the lavatory wall. *Ideas & Attitudes* catches exactly the lost, earnest innocence of the times, for the *Idea* was most certainly the thing. *Art* assuredly had to be *about something*, that wonderfully empty phrase still the mantra of the more advanced of our art schools.

It was all so simple. Take an idea, any idea, and strike an attitude about it, and the form, the realisation, would look after itself. Thus at last was the tyranny of technique broken. All one needed were a few snaps for illustration, or some plastic bags to fill with nail-clippings or pubic hair, or, as we have here, rubber bands, tooth-picks, post-cards, postage stamps... (Eugenia Balcells).

Or what about putting some notices in the papers, to see what response we get (Grup de Treball)? Or filling in a map with mud (Pere Noguera)? Or throwing oneself against a brick wall and bouncing off again, with photographs to prove it (Jordi Benito)? Or floating the letters SCULPTURA in a tank of water (Damien, I mean Francesc Torres)?

A number of the ideas are bright enough. Josefina Miralles, who solemnly shows herself standing thigh-high in the earth, or turning by simple stages into a woman of straw, has also made herself a pair of shoes that prints her name as she walks along. Francesc Abad goes through his "Actions with Air, Fire and Water" with dead-pan simplicity, breathing into a glass, lighting a cigarette, having a drink. Jordi Pablo's stone has a handle by which to pick it up, his bread a hinge by which to break it. "What goes through the head?" asks Jordi Cerda, with headshots to show us, and a motor-bike, a rubber glove, a basket, the Tower of Pisa, variously sprouting from his cranium. Ferran Garcia Sevilla has a rubber stamp which reads "Art Es Just Un *Mot*". Indeed it is.

In the lower gallery, *Catalonia Incognita* is a small show of conventional modern painting and sculpture from around the city of Girona. Only when we read in the publicity that "perhaps (its) most fascinating aspect is its faith in traditional disciplines; painting, drawing and sculpture", do the eyebrows rise a notch or two.

There are several rather good abstract paintings that are yet redolent of landscape, and among the sculpture a piece cast in aluminium, by Xicu Cabanyes, that besides being deeply in Moore's debt, was clearly modelled in the old way. But as for tradition, of drawing there is nothing at all, unless some linear gestures in a few paintings count as drawing. And while the thick impasto surfaces of Patxe are entirely acceptable, and Montserrat Costa's thinner washes rather lovely and effective, such works are traditional only in the sense that the paint is still being laid on a flat surface, and with some competence. Reference to the external and visible world? The critical measuring of the thing seen against the mark made, and the mark made against the mark intended? Forget it.

For the mark made we go on to Antoni Tapies at the City Art Galleries, and a show of his *Profound Certainties* of 1991. And again of critical self-measurement there is nothing, but only self-indulgence. It is sad to have to say as much, for Tapies remains a serious and significant artist on the strength his work of the 1950s and 60s, bleak and physical abstraction, heavy with ambiguous symbolism.

All we have now, it seems, are these vacuous graphic exercises on unstretched and grubby sheets of synthetic fabric, curling off the wall. Even these evince still a certain natural painterly delicacy and an educated hand, but such qualities, alone and unwitting, are not enough. The mystery is only how it is that an artist of such proven quality should now imagine his every move, his every gesture, take it or leave it, to be fraught with significance. His dealers and curators, perhaps, have told him so.

Ideas & Attitudes: Catalan Conceptual Art 1969-1981; Cornerhouse, 70 Oxford Street, Manchester until June 5, supported by the Generalitat de Catalonia, The Henry Moore Foundation, Visiting Arts and the Arts Council. Catalonia Incognita: contemporary painting & sculpture from Girona; until June 5, supported by the Generalitat de Catalonia, Copec, the Ajuntamenta de Girona and Visiting Arts. Antoni Tapies: Profound Certainties; Manchester City Art Galleries, Mosley Street until July 3; supported by Manchester Airport.

'Raspall' by Josep Domenech

Master of mystery

Alastair Macaulay reports on the final week of the Dublin Pinter festival

You might that think that a "Pinter Festival" was a contradiction in terms... And you would be wrong. The festival of six Pinter plays that Dublin's Gate Theatre has just presented was full of laughter, mystery, emotion, and, above, all, humanity. There is talk of another, larger, Pinter festival at the Gate in the future; and it is obvious that England should have one too. All six Gate stagings are first-class and would adorn the London stage.

One reason that a Pinter Festival is timely is that, with last year's *Moonlight*, we have stopped talking of Pinter the playwright in the past tense (as we were doing at the time of his 60th birthday celebrations in 1990). The Dublin Festival ended with *Moonlight* (performances continue this week). Watching it again was a pleasure, not least because it was often the most hilarious play of the festival. In it Pinter is clearly entering new terrain: with the family divided into three separate stage areas, with death treated from two contrasting angles (the daughter's in the past, the father's approaching) and with the very intense irony of much of the talk. Possibly Pinter has pared too much away from *Moonlight*; it does not gather in impact or significance as do his greatest plays do. But its tragicomic ambivalence is masterly.

That Pinter is a master becomes obvious with a festival of his work. How often he deals in mystery! – and leaves us like detectives. We are plunged straight into bewildering scenes whose import is never fully clear; but his language is so haunting, and his characters so full of feeling, that it becomes important to work out the play's hidden implications.

Landscape (1968) was to me the greatest revelation of the festival. Seldom if ever performed since it was played by Peggy Ashcroft (Beth's original interpreter), it shows a couple locked into a painful dichotomy. He, facing her and often talking to her but never hearing her, talks of mundane matters in the present and recent past. She, facing away, hearing him (probably), but speaking as if in her own head, reflects only of long ago sensual experience.

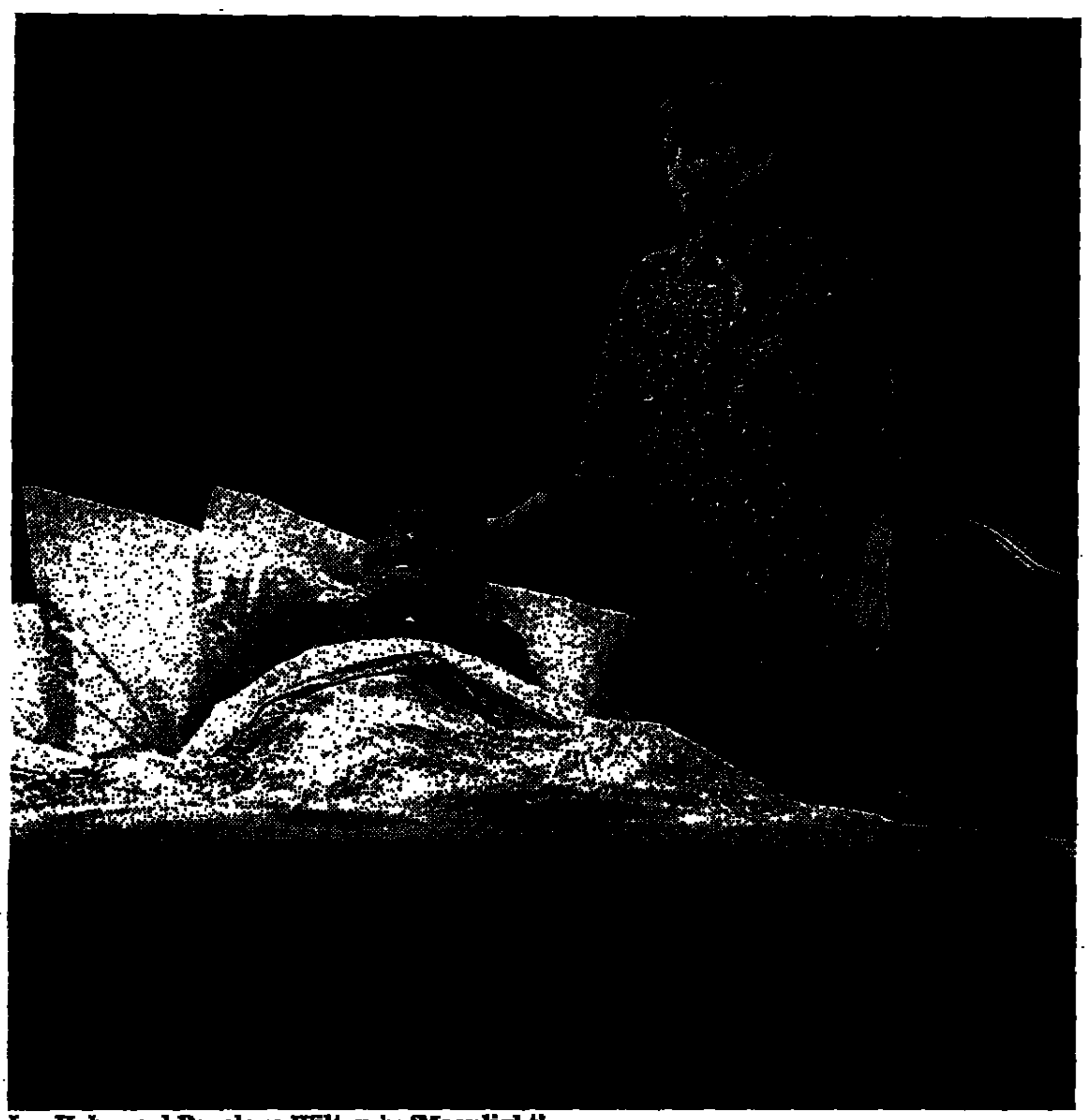
In several ways, *Landscape* was a turning-point in Pinter's art: it turned away from the menace which often enters into his earlier work, introduced a new lyricism – and it showed a new kind of feminism in his writing. Beth is so much more lyrical, tactile and imaginative than Duff; and her thoughts elude him.

Pinter himself directed *Landscape*; Penelope Wilton and Ian Holm played Duff and Beth. Sublimely eloquent performances, in which the least nuance took on a wealth of meaning. He spends almost the whole play seated in profile; at the end, he sits there locked in a spasm of rage that gradually becomes suffused by anguish. She looks out front, calmly, as if through the window whose shadow we see on her. Sometimes her eyelids beat through the pauses as if she is close to tears; once she gazes firmly out without blinking, and we sense time differently, and know how different an emotion is now in her heart.

She speaks in utter quiet, and the beauty of her diction – pellucid without elaboration – turns every line into poetry. The play's most famous line is her ending "Oh my true love I said", but Wilton makes equally telling effect in talking of the nature of shadow. As she speaks, so softly, "Shadow is deprivation of light... Sometimes the cause of the shadow cannot be found", she lets the full metaphorical sense of her lines strike home. A most beautiful performance.

In *Moonlight*, Holm repeats the marvellously scathing, ironic, panicky performance of the dying Andy with which last year he returned to the stage. Wilton, excellent as his wife Bel, is slightly warmer than the original Bel, Anna Massey. Karel Reisz, directing, achieves many fresh nuances between the characters; but there are connections and undertones to this play that still have yet to emerge. It takes a long time for a Pinter play to disclose all its meanings. Which is a sure sign of mastery.

***Moonlight* continues at the Gate Theatre until May 28**



Ian Holm and Penelope Wilton in 'Moonlight'

Ballet/Clement Crisp

Cunningham's 'Ocean'

The brand new Brussels Arts Festival is much concerned with new theatre and new dance. Or new-ish, one must say, given that its choreographic coup is a creation from the 75 year old Merce Cunningham. *Ocean*, whose first performance I saw last Wednesday, is the realisation of a work planned by Cunningham and his long-time associate, the composer John Cage.

Conceived a year before Cage's death in 1992, *Ocean* is a 90 minute piece whose structure had fascinated Cage and Cunningham: dance in a circular arena, surrounded by its audience who are in turn surrounded by musicians whose sounds wash – ocean-like – over public and performers.

What better locale then for this experiment than Brussels' Cirque Royal? It is a setting exactly suited to the Cunningham/Cage demands. It is, even so, an inimical spot. Alps have dreamed of being as steep and unyielding as its seating, and 90 minutes spent in this vertiginous Little-ease are no inducement to sympathy with what is going on below.

The event was certainly curious because of the forces involved and their deployment, but I cannot, hand on heart, declare them to have been of much interest. The soundtrack combined 112 musicians skied on the outer rim of the Cirque's top seating, playing a score by Andrew Culver, its droning *ostinato* interspersed with recordings of whales, dolphins and other denizens of the deep, who contribute the whistlings and borborygmi of what must be marine gastro-enteritis of a particularly virulent kind. Down below, on the central area of the Cirque, Cunningham's dancers meet up with the score in the usual dégagé fashion. (We have learned to view Cunningham's titles as mere conveniences rather than as guides to anything that happens.)

Aleatory procedures, the I Ching, and chance in all its unpredictability – though with Cunningham chance is the one predictable fact – shape the dance. There are interminable notes in the programme-book to justify and extol the style, but what it amounts to is that Cunningham, armed nowadays with computer-generated ideas, will fill the arena with arbitrary motion. In 1987, the Cage/Cunningham *Roaratorio* was very similarly shown at the Albert Hall as part of a memorable Prom: the dance was cogent in effect, exhilarating. Movement blossomed in this setting, as it often has in Cunningham's *Events*, where choreography is given in unexpected combination.

Ocean, in which 15 dancers come and go in various groupings, variously costumed and lit, seemed to me diffuse, arid, formulaic. I suspect that it will benefit from the focus and direction given by a proscenium, and its performers will then look less blank. Yet viewed from above – and it surely matters not where you see it from if Cunningham's rule applies to audience as well as to dance – it lacked even the stimulation one may get from watching a crowd. Red digital clocks at the dancers' entry-points marked the passing of 90 minutes. How slowly time passes when the avant-garde is having fun.

***Ocean* will be shown at the Holland Festival from June 27 - 30 at the Muziektheater, Amsterdam.**

Concerts/Paul Driver

Sinfonietta Response Weekend

The response to the first, on Saturday, of the two concerts of the London Sinfonietta's "Response Weekend" at the Barbican was lamentable: a trickle of regulars at the back of the hall. Conductor Elgar Howarth played without fire; the overly spacious acoustic left the more delicate, single-note moments in Conlon Nancarrow's *Piece No. 2 for Chamber Orchestra* (1986) sounding lost and remote, though a fair impression of its polyrhythmic complexities and plucky simulation of jazz was nonetheless conveyed.

Jazz influence – the underlying theme of the weekend, whose extramural events included a concert of student jazz pieces played by Sinfonietta members in the foyer – was overt in Mark-Anthony Turnage's *Kai* of 1990. This is a sort of pocket requiem for solo cello (Christopher van Kampen) and an ensemble permeated by the svelte and mournful tones of muted trumpets and longing melodies for saxophone, with bass guitar and drum kit to add plenty of stomp and violence. But an early work, *Etwas ruhiger im Ausdruck* (1967), by Franco Donatoni, scored for the instrumental quintet of Schoenberg's *Pierrot Lunaire* and derived (we were told) from one bar of a Schoenberg piano piece (Op.23, No.2), was, though skittish, almost the opposite of jazz: studiously quiet, fragmentary, glistening phrases circling round and round; while *The City of Threads* (1994), for 10 players, commissioned from the Dane Anders Nordentoft was a chaste, attractive and brief display of melody. Hans-Jürgen von Bose's Scene (1991) for large ensemble and two synthesisers, on the other hand, was long and turgid.

Sunday evening's concert – also under Howarth – was better attended and had a more cohesive and interesting programme, embracing a wacky piece, *Marching to a Different Song* (1991), by Jonathan Lloyd; the electrifying simulation of advanced jazz afforded by a more recent Donatoni work, *Hot* (1989), and featuring John Harle's saxophone; a rare and quaint *Sinfonietta* (1928) by the American experimentalist Henry Cowell; and the senior Dane Per Norgard's colourful but meandering *Night Symphonies, Day Breaks* of 1992.

Nancarrow – a living link (born 1912) between the ragtime send-ups of Charles Ives and the metrical abstractionism of Elliott Carter – was further represented by No. 7 of his *Sixty Studies for Player Piano* and by its deft chamber orchestration by the late Yvar Mikhashoff. The main point of these extraordinary studies, composed directly on to punched piano rolls, is to render different speeds and rhythms at once in a way that is dazzlingly unplayable by hands on a keyboard; but an ensemble can, just, manage the music. Mikhashoff's favouring of pungent timbres such as amplified harpsichord does much to bring out the intricately interwoven strands; but it was only after hearing the original roll, as realised on the pianola by Rex Lawson, that one had to gasp "Masterpiece!".

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tomorrow: Paul Freeman conducts Berlin Symphony Orchestra in a Beethoven programme, with piano soloist Derek Han. Thurs: Emanuel Ax, Isaac Stern, Jaime Laredo and Yo Yo Ma play piano quartets. Fri: Gidon Kremer is violin soloist with Schoenberg Ensemble. Sat, next Tues: James DePriest conducts Netherlands Philharmonic Orchestra in works by Chopin, Diepenbrock and Stravinsky, with piano soloist Bella Davidovich. Sun: Berlin Symphony Orchestra plays Beethoven. Next Mon: Theodor Guschlbauer conducts Strasbourg Philharmonic Orchestra in Ravel and Berlioz (ticket reservations 020-671 8345)
Muziektheater Next Mon, Tues: Fêtes Galantes present two choreographies by Béatrice Massin, music by Handel, Lully and Charpentier (020-625 5455)

BASLE

Stadtcasino Tomorrow, Thurs: Horst Stein conducts Basle Symphony Orchestra and Chorus in Beethoven's Ninth Symphony, with soloists Julia Varady, Reinhild Runkel, Peter Seiffert and Alfred Muff (061-272 1176)

BRUSSELS

Palais des Beaux Arts Tonight: Augustin Dumay, accompanied by Maria Joao Pires, plays violin sonatas by Brahms. Fri: Olaf Henzold conducts Belgian National Orchestra in works by Berlioz, Schumann and Mendelssohn, with piano soloist François-René Duchable. Next Tues: Mischa Maisky and Martha Argerich (02-507 8200)
Monnaie Sun: Laurence Dale song recital (02-218 1211)

GENEVA

Victoria Hall Thurs: Jesus Lopez Cobos conducts Orchestre de la Suisse Romande in works by Bernstein and Falla, with mezzo Alicia Nafé and pianist David Lively. Fri: Pinchas Steinberg conducts Berne Symphony Orchestra in works by Walton, Elgar and Prokofiev, with cello soloist David Geringas (022-311 2511)
Théâtre de Carouge Corneille's Le Cid, directed by Simon Eine, runs daily except Mon till June 7 (022-343 4343)

THE HAGUE

Dr Anton Philipszaal Thurs: Gabor Otvös conducts Buenos Aires Philharmonic Orchestra in works by Ginneo, Sibelius and Prokofiev, with violin soloist Saskia Viersen. Sat: Otto Ketting conducts Hague Philharmonic Orchestra in Henze, Debussy, Ravel and Ketting. Sun afternoon: Pavel Kogan conducts Radio Symphony Orchestra in Dvorak, Kox and Shostakovich, with saxophone soloist John-Edward Kelly. Next Tues: Strasbourg Philharmonic Orchestra (070-360 9810)

UTRECHT

Vredenburg Tomorrow: Gabor Otvös conducts Buenos Aires Philharmonic Orchestra in works by Gianneo, Sibelius and Prokofiev, with violin soloist Saskia Viersen. Sat: Ion Marin conducts Radio Philharmonic Orchestra in Ravel, Dohnanyi and Tchaikovsky, with cello soloist Pieter Wispelwey. Sun afternoon, next Mon evening: James DePriest conducts Netherlands Philharmonic Orchestra in Chopin, Diepenbrock and Stravinsky, with piano soloist Bella Davidovich. Sun evening: Theodor Guschlbauer conducts Strasbourg Philharmonic Orchestra in Ravel and Berlioz, with piano soloist Guillermo Gonzalez (030-314544)

VIENNA

OPERA
Staatsoper Tonight: Prokofiev's ballet Romeo and Juliet. Tomorrow: Don Giovanni with James Morris and Marie McLaughlin. Thurs, Mon: Der fliegende Holländer. Fri: Andrea Chenier with Eva Marton, Giuseppe Giacomini and Piero Cappuccilli. Sat: ballet mixed bill. Sun: Aida with Aprile Millo and Peter Dvorsky (51444 2955)
Theater an der Wien Thurs, Sat, Mon: Claudio Abbado conducts revival of Jonathan Miller's 1991 Vienna Festival production of Le nozze di Figaro, with cast headed by Ruggero Raimondi, Lucio Gallo, Cecilia Gasdia and Barbara Bonney (586 1676)

CONCERTS
Musikverein Tonight: Sherrill Milnes song recital. Tomorrow: Daniel Barenboim conducts Chicago Symphony Orchestra in works by Debussy, Richard Strauss and Stravinsky. Tonight, Sun (Brahms Saal): Siegfried Jerusalem song recital. Thurs: Haydn's The Creation. Fri evening, Sun morning: Riccardo Muti conducts Vienna Philharmonic Orchestra and Arnold Schoenberg Chorus in Bach's B minor Mass. Sat: Marjana Lipovsek song recital. Sun evening: Maurizio Pollini piano recital. Mon: Andras Schiff and friends play Schubert piano trios (505 8190)
Konzerthaus Tomorrow: Elisabeth Leonskaja piano recital. Fri: Gary Bertini conducts Vienna Symphony Orchestra in works by Schubert and Mahler, with mezzo soloist Christa Ludwig (712 1211)

THEATRE
Ibsen's Hedda Gabler can be seen tonight and tomorrow at the Volkstheater in a production from the Berlin Schaubühne directed by Andrea Breth (586 1676). On Thurs, Fri and Sat at Halle G Museumsquartier, Swansea's Volcano Theatre presents an English-language production based on Shakespeare's sonnets (586 1676). Repertory at the Burgtheater includes Brecht's The Caucasian Chalk Circle directed by Ruth Berghaus (51444 2959). Theater an der Josefstadt has John Osborne's The Entertainer (402 5127)

WASHINGTON

MUSIC
● Pinchas Zukerman is conductor and violin soloist tonight in an all-Dvorak programme with National Symphony Orchestra at Kennedy Center Concert Hall (202-467 4600)
● David Zinman conducts Baltimore Symphony Orchestra on Thurs and Fri at Baltimore's Joseph Meyerhoff Symphony Hall, in a programme consisting of Shostakovich's First Cello Concerto (Lynn Harrell) and Elgar's Second Symphony (410-783 8000)

THEATRE
● King Lear: a Washington Shakespeare Theater production, in repertory till July 2 with Beckett's Waiting for Godot (703-739 9886)
● The Misanthrope: Moliere's comedy is transposed to Hollywood in this Roundhouse Theater production. Till June 5 (301-933 1644)
● Ghosts: Ibsen's play about social and religious hypocrisy. Till June 6 at Center Stage (410-685 3200)
● The Revengers Comedies: Alan Ayckbourn's two-part play, directed by Douglas Wager at Arena Stage. Till June 12 (202-488 3300)
● A Room of One's Own: Eileen Atkins in her celebrated portrait of Virginia Woolf. Till June 19 at Arena Stage (202-488 3300)
● The Baltimore Waltz: the 1992 Obie Award winner by Paula Vogel takes us on a funny and touching tour of Europe with an ailing man and his resourceful sister. Till June 12 at Studio Theater (202-332 3300)
● Hot'n'Cole: a Cole Porter musical revue comprising more than 50 great songs by the master of American popular music. Till May 29 at Olney Theater (301-924 3400)

ZURICH

OPERA
The main event at the Opernhaus this week is the first night on Sat of a new production of Offenbach's La Belle Hélène, conducted by Nikolaus Harnoncourt and staged by Hemut Lohner, with a cast including Vesselina Kasarova and Deon van der Walt. Repertory also includes Don Carlo with Agnes Baltsa and Nicolai Ghiaurov, and a mixed bill of choreographies by Bienert, Ek and Van Manen. Gösta Winbergh gives a song recital next Mon. Highlights in early June include Fedora with Baltsa and Carreras and a song recital by Hermann Prey (01-262 0909)

CONCERTS
Tonight's recital by Wihan Quartet at the Tonhalle includes string quartets by Mozart and Dvorak. Tomorrow's celebrity concert features Isaac Stern, Jaime Laredo, Yo Yo Ma and Emanuel Ax in piano quartets by Fauré, Schumann and Brahms. On Thurs and Fri, Robert Spano conducts the Tonhalle Orchestra in works by Dvorak and Beethoven, with cello soloist Thomas Grossenbacher. On Fri at Theater 11, Howard Griffiths conducts the Zurich Chamber Orchestra in Henze, Haydn and Tchaikovsky, with cello soloist Andrzej Bauer (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

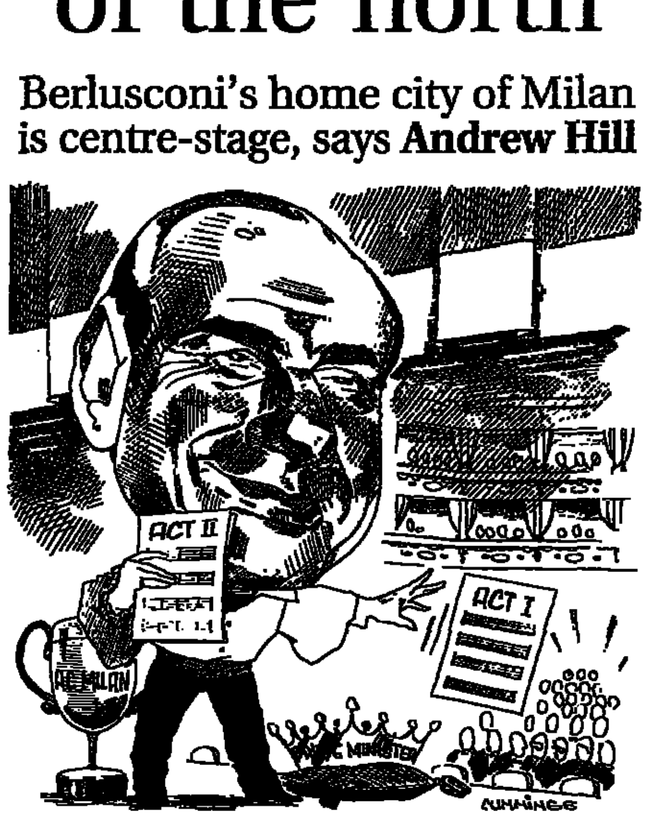
WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Bella figura of the north

Berlusconi's home city of Milan is centre-stage, says Andrew Hill



Milan knows all about operatic coincidence. But even at La Scala, the city's world-famous opera house, the Milanese have rarely been asked to believe in a combination of political, economic and athletic good fortune as extravagant as that achieved by their city over the past three months.

The first act of this drama reached its climax last Wednesday night as AC Milan, Italy's most successful soccer team, humiliated the Spanish champions Barcelona in the European Cup final. Somehow it seemed only right that Milan should score the decisive second goal moments before Mr Silvio Berlusconi, the team's owner and Italy's new prime minister, won a crucial vote of confidence in the senate.

It is the rise to power of Mr Berlusconi, Milan-born media magnate, that has led the press to dub his home town the unofficial capital of Italy's second republic. This is quite a transformation for a city which was notorious only two years ago as the hub of the country's *Tangentopoli* ('bribesville') scandal – the nationwide network of bribes and political favours which undermined the old political regime.

Milan is certainly well-represented in the political life of the new Italy. Forza Italia, Mr Berlusconi's four-month-old political movement, was conceived in Milan and the federalist Northern League, one of its two main government partners, has its headquarters there. The interior minister and the speakers and deputy speakers of both chambers of the Italian parliament are also Milanese.

Mr Marco Formentini, a senior League politician and the city's mayor for the past year, says Milan is now reaping the fruit of a decade of struggle, particularly by his own movement. The League pressed for an end to the old centralised and corrupt political regime. The process was then "accelerated", Mr Formentini claims, by Mr Berlusconi's decision to enter politics earlier this year.

Now in power nationally, the League's separatist strategy – which would have made Milan capital of the "Republic of the North" – seems to have been toned down. Mr Formentini now talks about the possibility of greater autonomy for other Italian cities, be they in the north, centre or south. But he adds: "Milan will be the beneficiary of these changes, because we have always been a city with enormous potential, crushed under the weight of central state control."

Economic recovery may help realise that potential, the northern city's business leaders claim. Since the March election, the number of shares traded on the Milan stock exchange has occasionally exceeded that of Wall Street. Mr Michele Porcelli, general manager of Assolombarda, the federation of Milanese companies, says his members have noted a gradual upturn over the past four months, but remain cautious. He interprets this as a welcome sign that the short-lived boom of the early 1980s will not be repeated. "The downturn has changed the lifestyle [of the Milanese]," he says, adding that good economic news for the city would also be good for the country.

As for the corruption scandal, the city's shame has turned into pride in its magistrates, who are tracking down and prosecuting the corruptors and the corrupted. The charismatic courtroom performance of Mr Antonio Di Pietro as prosecutor in the first big *Tangentopoli* trial, which finished in Milan three weeks ago, was watched by millions on national television. "Milan is proud to be the centre of the *mani pulite* [clean hands] investigations," beams Mr Formentini. The mayor has also demonstrated his pride in the political prominence of his fellow citizens; he put up posters around the city welcoming the election of Milanese speakers in the two chambers of parliament last month.

But there are plenty in Milan who dislike the fact that the city is identifying itself with the right-wing national government. On April 25, 300,000 people took to Milan's streets to commemorate the liberation of Italy from fascism in 1945. The demonstration was dominated by the defeated left. Mr Alex Iriondo, Milan secretary of the opposition Democratic Party of the Left (PDS), is critical of the city's council and the new government, which he believes could hold back recovery. "The relaunch of the city doesn't depend on our citizens holding high offices of state," he says.

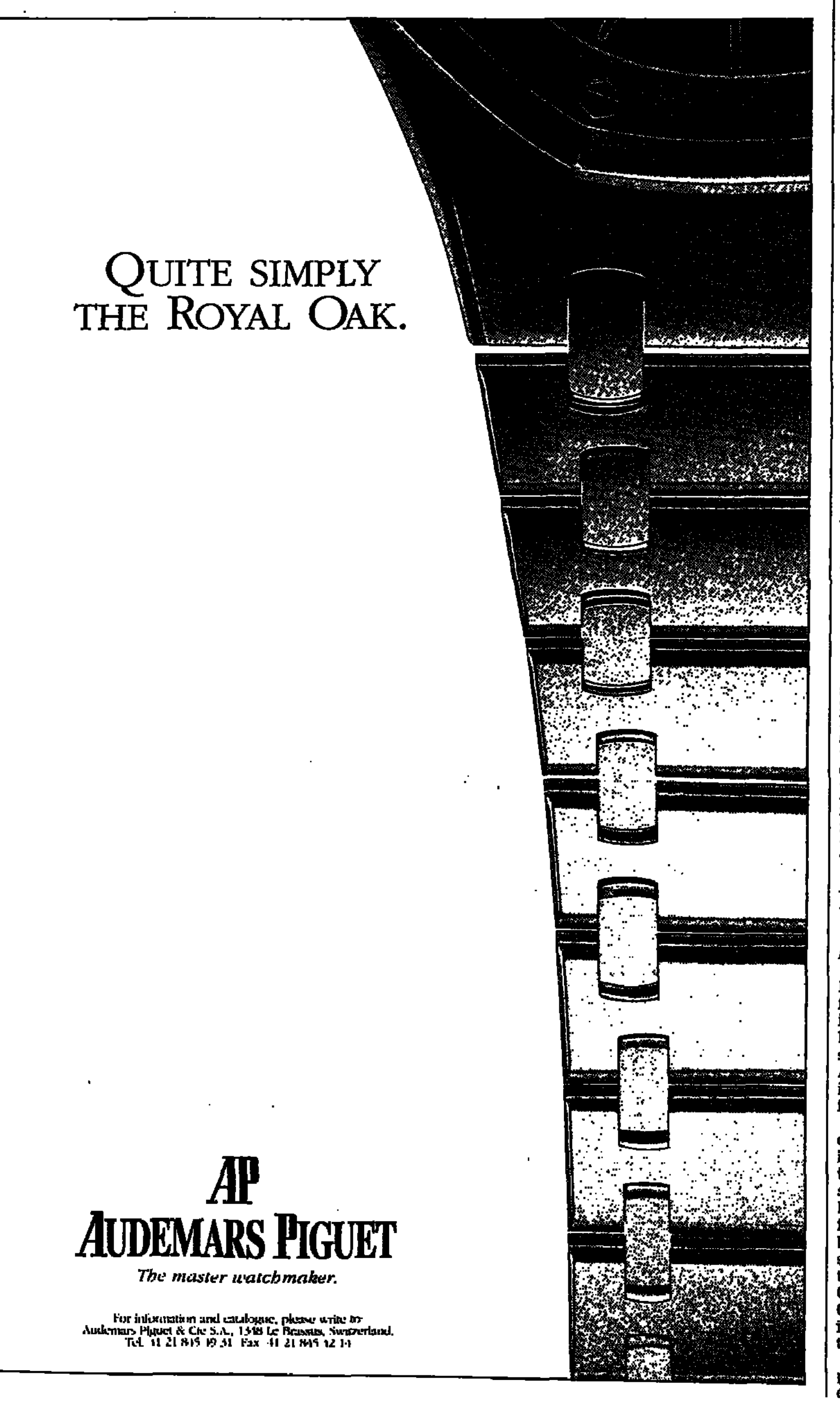
Indeed the legacy of the Milanese former prime minister, Mr Bettino Craxi, who is facing corruption charges, suggests that occupying high office can create even deeper problems. The former socialist leader's network of political patronage is held responsible by many Milanese for hampering the city's economic and political development over the past decade. Ironically, Mr Berlusconi thrived under this environment, when he was building his Fininvest empire in Milan during the 1980s.

Mr Berlusconi may now be prepared to reward the city with real institutional power to add to its economic and financial importance and reinforce top politicians' sentimental links with the city. For example, last week Mr Vito Gnutti, industry minister, fuelled speculation that parts of the budget, industry and finance ministries might decamp to Milan.

That would fit in with the hopes of some respected Milanese commentators, who have long urged the government to move certain institutions – for example, the Consob financial watchdog or even the central bank – to the Lombard capital. Such moves would underpin rather than undermine national identity, according to Professor Mario Monti, rector of the private Bocconi University. "It would be easier to keep national unity if we could avoid a Rome-centred concept, which generates so much anti-Roman sentiment throughout the country," he says.

But Mr Attilio Ventura, president of the Milan stock exchange, believes changes in the institutional balance of power are unnecessary. The fact that the central bank and Consob are in Rome has little impact on Milan's position as the dominant financial centre, he points out. Mr Sandro Molinari, chairman of Milan-based Cariplo, one of Italy's biggest banks, is similarly sceptical, claiming that an institutional reshuffle is unlikely. "Milan is the central motor of the economy, and Rome is the motor of political life," he adds.

If Mr Gnutti's hints are fulfilled, other Italian cities and regions may also start demanding a slice of the institutional cake. But for the time being the question of Milanese pre-eminence does not seem to worry the rest of Italy. Milan's pretentions are watched with a certain disdainful amusement by Romans, traditionally dismissive of their stress-prone northern compatriots. The rest of the country may simply be waiting to see if Milan's luck holds: as opera lovers know, the coincidence by which our hero receives riches in act one is often offset by a blow of fate before the final curtain.



Joe Rogaly

The only game in town

Of the three political games in play in Britain the most important is the contest for the succession to Mr John Smith. Next, a long way behind, comes the struggle by the prime minister to avoid a challenge to his leadership of the Conservative party. We must tune in to that ancient soap, although it is running out of plausible plot lines. Third, as significant as an afterthought, we have the elections to the European Parliament.

It is not wholly parochial to picture this summer's political goings-on in so Anglo-centric a manner. The victory or defeat of Labour in a British general election in 1996 or 1997 may be of greater importance in the counsels of the European Union in the subsequent years than the precise party balance after next month's low-key contest. On present form, the Conservatives will before long find themselves hovering between a European strategy that is merely obstructive of further development and one that nears the brink of advocating withdrawal from the EU. Labour is subject to all the doubts about continental involvement inherent in the British character, but it would at least start with harmonious intent.

This puts the summer games in perspective. The question before the voters on June 9 is merely whether the Strasbourg assembly is to be predominantly socialist. It was put with particular force by the Conservatives yesterday. Ho hum. The forthcoming poll will determine the answer on the basis of national votes which are heavily influenced by the popularity or otherwise of national governments. That is the nub of what Labour and the Liberal Democrats had to say yesterday. So what else is new? Most European socialist parties are expected to do well, the British Labour party best of all. A beneficiary of the first-past-the-post voting system, it may be the largest single grouping. No one expects the Tory contingent to increase; the only question is the number by which it will fall.

It is a minor question. The Strasbourg parliament is still a remote body whose effectiveness has yet to be demonstrated. The Maastricht treaty gives it powers to negotiate amendments to legislation, or block bills it does not like. It will be asked to approve the new commission before it takes office in January. These powers are of great potential importance, but the parliament's tradition is consensual, not adversarial. It huffed and puffed before approving the recent admission of new members, but it did not blow the house down.

Labour must show its colours, unreconstructed or modernised as they may be. Blair should be put to the test in internal electoral combat

What really matters is whether Labour wins the next general election. As Europeans know from bitter experience, in a Europe of nations a negative stance adopted by the government of one of the larger member states can block or at least slow down future development. Whether this is beneficial or not depends upon how you regard the evolution of the European enterprise. The proposition I am advancing would be most starkly apparent if, say, Labour was led by Mr Tony Blair and the Tories by Mr Michael Portillo – the moderate Europhile vs the immoderate Europhobe.

The EU would have a decided interest in the outcome of such a contest. The contrast would be less sharply drawn if the opposing party leaders were, say, Mr Robin Cook and Mr John Major. Yet the prime minister will doubtless continue to be pushed in a Portillo direction by the chauvinistic wing of his party. We may be sure that Mr Cook would try his best to be a good European. What matters in either case is the nature of the party behind the leader.

This is why the previously entrancing political mystery – will Mr Major last and who will succeed him? – has become stale. It is evident that the problem is the Conservative party, not its leader. Tory divisions are stultifying Britain's government. They can only be healed by a period of reflection, or angry argument, an exercise best undertaken in opposition. Even yesterday's manifesto, so seamless in appearance, was fought over to the comma, passionately, with all hatreds showing. The primary purpose of its text, I am assured, is to keep the cabinet in one piece. If it wins votes, that will be a surprising bonus. It might, if incipient Euroscepticism begins to outweigh the anger many detached Tories feel about their usual party.

The big question is, what is to become of Labour? If it returns to its old form, Mr Major may yet enjoy more years in office than most people now envisage. If it seizes its chance, the Tory era that began in 1979 will end. Some of us regard Mr Blair as the most convincing representative of what a wholly reformed, late-20th century party of the centre-left should be. We should not be carried away by this. There has been talk of skimping on the cumbersome procedures for the selection of a new leader. If members of parliament nominated only one candidate, there would be no need for the constituency parties and trade union members to exercise their one-member-one-vote muscle.

That would be a mistake. The Labour party needs to show its colours, unreconstructed or modernised as they may be. Mr Blair should be put to the test in internal electoral combat. He has his first chance this morning, when he is due to make a speech. He could fluff it, by taking as his text the list of demands made by Mr John Edmonds, leader of the GMB union, on Sunday. Some of the Edmonds proposals, such as the promotion of full employment, constitute traditional goals for a Labour leader. That is beside the point. Mr Edmonds, once the darling of the modernisers, is becoming a walking disservice to the Labour party. He appears to hanker after the status of a 1960s union boss. A victory won by public pandering to one of such pretensions would not be a prize worth having.

The great game of the moment is exquisitely complicated. Politicians win favour in the old Labour party by sounding Neanderthal, or nostalgically socialist. Mr Gordon Brown attempted both noises at the weekend. A campaign like that could produce a leader of the opposition destined to stay in that post until succeeded by another leader of the opposition. Alternatively, Mr Blair or another of his ilk, if there is one, might risk all. He or she might try to carry the party into the changes it has to make to achieve victory where it counts – at the next general election. That *would* make a difference.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Not fair on efficiency

From Mr Michael R Hoffman.

Sir, With reference to your article, "Ofwat outlines flow of price increases" (May 20), I do not accept your comment "unimpressive performance on efficiency" so far as Thames Water is concerned.

Statistics produced by Ofwat on cost per unit of service provided to customers confirm Thames Water as the best of the big 10 water and sewerage companies.

It is total costs that matter since this is what concerns customers, that is the bill that they receive. This point has been confirmed to Thames Water on several occasions by Ofwat. Drawing conclusions on company efficiency from an analysis of operating costs only is positively misleading.

I am proud that in 1994, yet again, Thames Water customers have the lowest combined water and sewerage bill.

M R Hoffman,
deputy chairman and group chief executive,
Thames Water,
14 Cavendish Place,
London W1M 9DJ

Recoveries

From Mr Keith Flett.

Sir, While I do not doubt your front page story, "Retail sales defy tax increases" (May 20), that high street spending is holding up despite tax rises, it surely says something about the nature of a two-year-old economic recovery if the question of whether it is actually happening or not is still headline news.

Keith Flett,
38 Mitchley Road,
Tottenham, London N17 9HG

Right route to employee shares

From Mr Malcolm Hurlston.

Sir, Vishvas Kanji told only part of the story when he noted that the number of employee share ownership plans (Esops) drawn up in the UK under the 1989 legislation could be counted on the fingers of one hand (Letters, May 18).

There are currently well in excess of 60 companies with Esops which make use of case law to achieve tax efficiency. This figure excludes companies which had Esops but have floated or bought out and thus made thousands of pounds for employees. Yorkshire Rider is a good example of the latter case. Workers at the bus company have received an average of £6,000 for shares they received for free.

The success of British Esops can be seen from the fact that a party of Russian business people arrived in Britain at the beginning of last week in order to learn what role Esops can play in the Russian privatisation programme.

Furthermore, this year's Finance Act relaxed some key restrictions on setting up an Esop using the 1989 legislation. Although the statutory Esop is still not perfect, these changes mean that this route to employee share ownership can no longer be ignored.

The Esop Centre will continue its successful lobbying for changes in Esop law until Britain mirrors the US, where there are more than 10,000 companies with Esops.

Malcolm Hurlston,
chairman,
The Esop Centre,
2 Ridgmount Street,
London WC1E 7AA

Bulgaria – the worst starting point

From Mr Martin Zaimov.

Sir, Your article on Bulgaria ("Bulgarian capitalism boosts ex-communists", May 10) states that it is difficult to come across dynamic professional Bulgarians without a communist background. This is hardly surprising in a country that had more than 1m communist party members only a few years ago.

It is also true that foreigners regard the Bulgarian commercial environment as hostile and the local business community as unreliable.

The two business "scams" you have described, however, are hardly particular to Bulgaria. "Overcharging and buying cheaply from state companies" is a worldwide phenomenon and one of the strongest arguments for privatisation, while minimising tax exposure in a country with an underdeveloped tax regime is obviously easier than in the west, where it is called tax optimisation and is the speciality of an army of consultants.

Your story would have gained in credibility if the name of the principal protagonist had not been mistakenly given as Ivan, not Ilya. This is rather like a Bulgarian daily publishing an article on "Tony" Rowland.

The disappearance of most foreign markets, the large foreign debt and the unfavourable (both in terms of access and resources) geographical position are significantly more important and explain much better the difficulties of privatisation and the low level of foreign investment. John Wilton, head of the World Bank mission in Sofia, calls this the worst starting point of all the countries in eastern Europe.

Martin Zaimov,
20 av des Ternes,
75017 Paris, France

Pensions ingenuity already displayed

From Mr Philip Warland.

Sir, It does not require, as you state in your leading article, "Revisionism on pensions" (May 17), ingenuity from the City "to reduce the capital market threat to the value of the [defined contribution] pension on the date of retirement".

That ingenuity has already been displayed by the production of equity-based annuities. What is required is a swift decision by the Inland Revenue to allow pensioners to benefit immediately.

In the longer term the requirement to liquidate a personal pension and buy an annuity should be removed and replaced by simple rules on the withdrawal of income and capital from the fund.

Philip Warland,
director general,
Association of Unit Trusts and Investment Funds,
65 Kingsway,
London WC2B 6TD

Union financially viable and aiming to strengthen organisation

From Mr John Sheldon.

Sir, Robert Taylor's apocalyptic vision of my union's finances ("Civil service union in cash crisis", May 17) is misleading and partial in its presentation of the facts. Although there were no factual inaccuracies in the article, it failed to paint the full picture.

Far from "only" a quarter of our members having re-authorised their subscription deductions, it is more appropriate to say that "already" a quarter have done so. Even though the first forms only went to branches six weeks ago, sign-up rates are already hitting 49 per cent (Scottish Office), 45 per cent (Home Office), 44 per cent (Land Registry) and 38 per cent (Customs).

Second, we have not blamed payroll and personnel managers for delays. They have been very helpful and co-operative. Delays in agreeing the mechanics of the operation may or may not be politically inspired, but are certainly the result of decisions taken at a much higher level – Treasury and Department of Employment ministers.

Third, no mention is made that we project a surplus of £100,000 for 1994 and a subscription income of £10.4m.

Fourth, highlighting the response among our members in Employment illustrates little, as the forms were only sent out just before our conference a fortnight ago, and we would not expect any completed returns until 14-21 days after dispatch. The overall response is good and getting better – to such an extent that extra staff are being drafted in to open the post. More than 2,000 forms were processed on one day alone recently.

Fifth, a misleading impression is provided by selective quotation from our financial report. We have total assets of £8.2m, of which £6m are fixed assets. "Lack of liquid assets" refers only to cash in hand or in bank accounts.

Sixth, reference to conference decisions are irrelevant, as our 1994 estimates are not based on possible savings from conference proposals.

Seventh, we are one of the few unions actually to have increased membership over the last year – a very encouraging base for the check-off campaign. Surely this is relevant.

Unions are not savings accounts but organisations that collectively represent workers' interests. Our financial health is important and is taken seriously, but it is only a means to an end, and not the end in itself. Our membership increase is a result of campaigning on issues of direct relevance to our members – pay, jobs and quality of services. We are financially viable and will show that, like the political fund ballots, the unions will turn a legislative attack into a means of strengthening our organisation and increasing our membership.

Finally, the article appeared on the day that our proposed partners in a new union, the IRSF, debated merger at their conference. Despite exaggerated reports of our financial demise, they voted to move forward with us towards a powerful new public services union.

John Sheldon,
general secretary,
National Union of Civil and Public Servants,
124/130 Southwark Street,
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FINANCIAL TIMES

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Tuesday May 24 1994

British parties and Europe

"This is not some trivial opinion poll," said Mr John Major yesterday, launching his party's manifesto for the European elections on June 9.

He is right. The European Parliament, especially since the entry into force of the Maastricht treaty last November, is in a position to exert significant influence on the destinies of the European Union if it finds the sense of purpose to do so. It does not have the full powers to grant or withhold taxation, or to pass legislation, that are traditionally those of parliaments in sovereign states; and, largely for that reason, there is no European executive which depends on a disciplined majority in the parliament to carry on its business.

But, precisely for that reason, individual MEPs have greater freedom than most of their national counterparts, and those who are prepared to work can have a great deal of influence on the detail of European law. Under Maastricht their influence on other aspects of EU policy, such as foreign relations, should be expected to grow as well.

Yet none of the manifestos published in the UK yesterday focuses primarily on the role of the parliament or on how the candidates of the parties concerned would speak and vote if they were elected to it. All three of the main British parties behave as if this were in fact a mammoth opinion poll. The Conservatives defend their record as a government in upholding British interests in Europe. Labour and the Liberal Democrats blame the Conservatives for everything that is wrong in Britain today – whether or not there is a European connection – and attempt to seduce the voter by promising to behave differently if and when they gain power at Westminster.

Direct experience

About the specific role of the parliament they have rather little – in the Liberal Democrat case, almost nothing – to say. The Liberal Democrats may be partly excused by the fact that up to now the majoritarian electoral system, which Britain alone uses for these elections, has denied them any direct experience of EP membership. Still, since they alone are prepared to advocate "a federal Europe", one might have expected them to present themselves as members of a Europe-wide movement with a single programme.

This they fail conspicuously to do, perhaps because on many social and economic issues continental liberals are closer to British conservatives, while British liberals are closer to continental socialists. The Conservatives, too, have problems in this area. You will search their manifesto in vain for a reference to the European People's party, the alliance of Christian Democrat parties to whose parliamentary group the Conservative MEPs have belonged since 1992. Only the Labour party can proudly proclaim its intention of "co-operating with our allies across the continent" to press for a list of economic objectives.

Socialist group

That list deserves some attention, because the socialist group, already the largest, is the one most likely to find itself in or close to a majority after the elections. Ironically this outcome is made much more likely by the British electoral system, which the Conservative government has insisted on retaining. The main argument for this system – that it tends to produce a stable governing majority – has no relevance to this election. All it achieves in this context is to distort the overall political composition of the parliament by exaggerating the swings of the British pendulum (usually against the party in power at Westminster).

This phenomenon will be particularly unfortunate in the present instance, if it helps the Labour party and its continental allies to impose their agenda on the EU. The list of objectives may sound benign, but its main premise is that public spending at European level can and should be used to "promote", "boost" or "generate" new jobs. It also includes "an industrial policy", and "the effective application of regulations in all countries in order to ensure that industry is not disadvantaged by unfair competition".

The application of this philosophy across the EU could virtually be guaranteed to ensure that Europe as a whole remains a high-cost, over-regulated region, whose enterprises would indeed be "disadvantaged" in competition with those from other parts of the world.

On the brink over Crimea

With its vote for *de facto* independence on Friday, the Crimean government raised the stakes in Europe's most dangerous political game. The alarming possibility is that the local power struggle in Crimea could drag Ukraine and Russia into all-out war.

Kiev has consistently valued an increasingly threadbare sovereignty over the more painstaking process of economic transformation. For the Ukrainian government, Crimea is more a symbol than a piece of territory to which it has any strong attachment for its own sake, but that is precisely why Crimea's declaration of sovereignty last week provoked such a hostile reaction in Kiev. Ukraine has been tolerant of the pro-Russian Crimean government's demand for local self-rule over the past few months, but has drawn a line at outright secession. Kiev's disastrously ineffective leaders believe, probably correctly, that Ukraine might collapse altogether, if Crimea were to be allowed to secede.

For Moscow, the escalating tensions on the Black Sea peninsula pose different problems. Ukrainian leaders complain that Russians have never fully accepted their nation's independent existence. That is quite true, but the Kremlin's current leadership does at least appear content to wait for Ukraine's disintegration. Even though President Boris Yeltsin has acted with commendable restraint over Crimea, he faces a powerful hard-line lobby, inside and outside his own government.

Russian role

If Crimea's war of words were to degenerate into a fight, it would be politically difficult for Russia to remain on the side-lines. Worse still, perceived success in Crimea could embolden Russian nationalists to gather lands from other republics, such as Kazakhstan and the Baltics.

But the real gunpowder, both literally and figuratively, is on the contested peninsula itself. Both Ukraine, with its security forces and national guard, and Russia, which effectively controls the Black Sea Fleet, have a military presence in Crimea. The man who has recently appeared determined to ignite the explosion is Mr Yuri Meshkov, the maverick president of Crimea.

Mr Meshkov, elected in January, appeared initially placated by a deal with Kiev that gave Crimea independence in everything but name. Over the past week, however, Mr Meshkov has been pushing further. The danger is that Kiev's adamant insistence on sovereignty and territorial integrity will be forced into a collision with the pressure on the government in Moscow to champion ethnic Russians beyond its borders.

West's response

How should the west respond? The first step, which is to recognise that Crimea is not a minor local irritant, has been taken. Beyond that, the best the west, and most of all the US, can do is serve as honest broker. With the help of western mediation, Kiev and Moscow might be able to negotiate a joint sovereignty arrangement, which would allow Ukrainians to feel they have not surrendered their territory, while giving Crimeans the connection with Russia that they apparently want.

Simply lecturing Russia on the inviolability of Ukraine's borders – a particularly touchy issue, because Ukraine's renunciation of its nuclear weapons was made in return for a Russian pledge to respect Ukrainian territory – will not be enough. Russia exerts considerable influence on the Crimean government. Moscow should be asked to urge caution on its kinsmen and be warned that a war between Ukraine and Russia would make western assistance to either country, including membership of the Partnership for Peace, impossible.

The Ukrainian government is seriously at fault, not so much in its handling of the Crimean issue as in its egregious mishandling of the economy. Kiev can have little hope of holding on to reluctant territories, so long as the economy continues its collapse. Terrified as it is of a Bosnia writ large, the west is ready to help Ukraine in substantial ways. But first, the Ukrainians must show that they want not only to keep their flag and their borders, but to begin the reforms that just might make Crimeans tolerate remaining Ukrainian citizens.

Third way to the top of the pile

David Goodhart weighs the debate on UK competitiveness in the light of disparate global economic models

Rarely can the UK's industrial shortcomings have come under such scrutiny. Today, six months of analysis and debate culminates in the publication of the government's white paper on competitiveness.

It follows a multitude of other reports on how to sharpen economic performance from government departments, the Labour party, two parliamentary select committees, countless think-tanks and academics, and most employers' associations.

Various factors help to explain the timing of this stock-taking, the most important being the continuing long-term weakness of UK economic performance. The improvements in the 1980s in industrial relations, productivity growth and manufacturing exports helped to narrow the performance gap with several of the UK's closest economic rivals such as France and Germany. But after a long recession the gap still looks stubbornly wide from manufacturing productivity to income per head (see charts).

The reports may also express a deeper change of mood among business leaders and policy makers. Mr Ken Mayhew, a former economist at the now defunct research body, the National Economic Development Office, says: "When I joined Nedo in 1988 most leading business people I met thought we had cracked the UK's economic problems.

"When I left in 1991 it was quite different. The recession came as a deep shock to many people, but on top of that it appeared that sacking workers and improving productivity had been the easy part, and that moving on from there was much more difficult."

Many of the analysts concentrate on apparent failures in *external* economic performance – such as trade and the value of sterling – which they fear could deteriorate further in the face of increasing competition from developing countries. They point to the forced exit of the UK from the European exchange rate mechanism in 1992 and the UK's persistent current account deficit even during recession.

Much of the evidence comes from the pro-manufacturing lobby which has been given a new lease of life in the post-Thatcher era. This has been underscored by the arrival of Mr Michael Heseltine as Department of Trade and Industry secretary, and by the perception that the manufacturing sector is now too small to sustain a strong recovery.

It is the performance of manufacturing *and* services and the growth rate of overall productivity which is the key determinant of national economic welfare. Performance in world markets is only part of the picture, says Professor Paul Krugman of the Massachusetts Institute of Technology.

But the growth in UK living standards has been "disappointing", according to the government, with the country slipping to 18th place in gross domestic product per head among the main industrial countries. And the UK had a misery index (annual unemployment and inflation rates combined) which was second only to Italy in the Group of Seven main industrial nations over the period 1971 to 1992.

The individuals and committees seeking to diagnose and reverse these trends are easy to mock with their grandiose ambitions and long wish-lists. But it is not enough to dismiss them by saying that companies and not countries compete, says Dr Ann Robinson of the free-market Institute of Directors. "The national framework of laws and regulations is important in helping or hindering companies," she says.

Further, the manner in which the problems are being discussed provides some grounds for optimism. "There is a consensus about the nature of the problems which would have been unthinkable even a few years ago," says Sir Geoffrey Owen, a director of the London School of Economics' Centre for Economic Performance and a former editor of the Financial Times.

There is widespread concern about education and vocational training; about the relationship between finance and business and the "short-termism" this is said to generate; about the failure of innovation; and about the lack of a layer of thriving medium-sized businesses comparable with those in Germany.

There is also a long-standing belief that "change happens less easily in the UK than in comparable countries, because we are less well structured", as Mr Geoff Robinson, an IBM executive and former adviser at the DTI, puts it.

These "decline of Britain" themes generate a sense of *déjà vu*. But there is a hard-headed tone and an attention to detail which would not have been apparent 10 years ago.

The variety of academic, government and business reports acknowledge strengths where they exist – in pharmaceuticals and financial services, for example – and puzzle over the "long tail" problem: if some companies can do it, why do so many fail? The old industrial policy agenda of government support for industry and "picking winners" is noticeable by its absence. The Labour party document scarcely mentions the unions, much to the chagrin of some union leaders.

There is even some agreement on the measures required to create more of the high-performance companies of which the UK has too few. Several reports recommend reforms to the tax system to encourage more investment and training. Less straightforwardly, there is broad interest in establishing a more supportive financial framework for large companies by making contested takeovers more difficult and dividend payments more closely aligned with profitability.

For smaller companies, there is a lobby for the creation of a development bank able to provide long-term loans to growing businesses at subsidised rates. There is also interest in fostering more corporate collaboration on technology transfer.

But behind this apparent consensus, a scarcely articulated argument is being conducted over the kind of economic model to which Britain should aspire. The battle is between those who think that many of the problems are endemic and can be solved only through a regulatory and institutional overhaul, and those who believe that the existing liberal system, buttressed by powerful anti-monopoly laws, needs no more than discreet policy reforms and intelligent exhortation.

Informing many of the supporters of overhaul are the Germanic and Japanese models of "organised" capitalism. These are said to comprise corporate institutions which enhance wealth creation through fostering stable, long-term relationships between key economic groups.

Liberal critics regard these corporate rules – such as life-time employment and company cross-ownership in Japan, or compulsory worker consultation in Germany – as belonging to an earlier corporatist era. That approach, now under threat in the latter two countries, is one from which Britain is fortunate to be free, they add. If they have a model it is the free-market US, which still has the highest average productivity (and GDP per head) in the world and is the world leader in high-technology industries.

The Labour party is happy to embrace the Germanic "stakeholder" company model, in which workers influence decision-making, and financiers and suppliers are locked in. "We want to reform the architecture of our company structures to encourage committed owners," says Mr Robin Cook, Labour's trade and industry spokesman.

The Royal Society for the Encouragement of Arts, Manufactures and Commerce, in its a recent report on reforming the UK company, *Tomorrow's Company*, also embraces the stakeholder approach, but without proposing new regulation. "There's a lot of nervousness about taking the regulatory path," says Mr Neil Hartley, the society's research head.

The trade and industry select committee is similarly sympathetic to "committed" capitalism, but it is wary about institutional reform and explicitly rejects the German-style supervisory board. "Lessons learnt overseas cannot usually be transferred to the UK," says the select committee's report. But where other countries have "competitive advantage", for example in relationships with financial institutions, the UK must replicate them in its own way.

Mr Heseltine takes a tantalisingly ambiguous position in this debate. In his 1987 book, *Where There's a Will*, he praises German institutions such as employee representation on supervisory boards. He also backs a system of compulsory-membership employer organisations such as chambers of commerce, which help to ensure that almost all employers train to a high standard.

But in office this agenda has been scarcely visible. His main accomplishment has been to deliver a reorganisation of government support for industry both at regional and Whitehall level.

Judging by the tone of the DTI's own contributions to the trade and industry select committee, and the deregulatory agenda of the Conservative party, today's white paper will not return to the themes of *Where There's a Will*. Indeed, few new initiatives are expected.

At least for public consumption, the DTI admits of no widespread problems except in education and training. Mr Bob Dobbie, head of the new competitiveness division set up by Mr Heseltine in 1992, says that "there is no conclusive evidence that short-termism is a general problem"; and he denies there is a "financing gap" for small business.

The government, and observers such as Mr Dobbie, believe that as far as there is a short-termism problem, it is one of business judgment rather than market structure. The only role for government is to ensure better information flows. The market, the government might add, is correcting itself; financial institutions are taking a more active interest in the companies they own. Even Hanson, the conglomerate often accused of ruthless short-termism, has decided to lengthen its target payback period on investments.

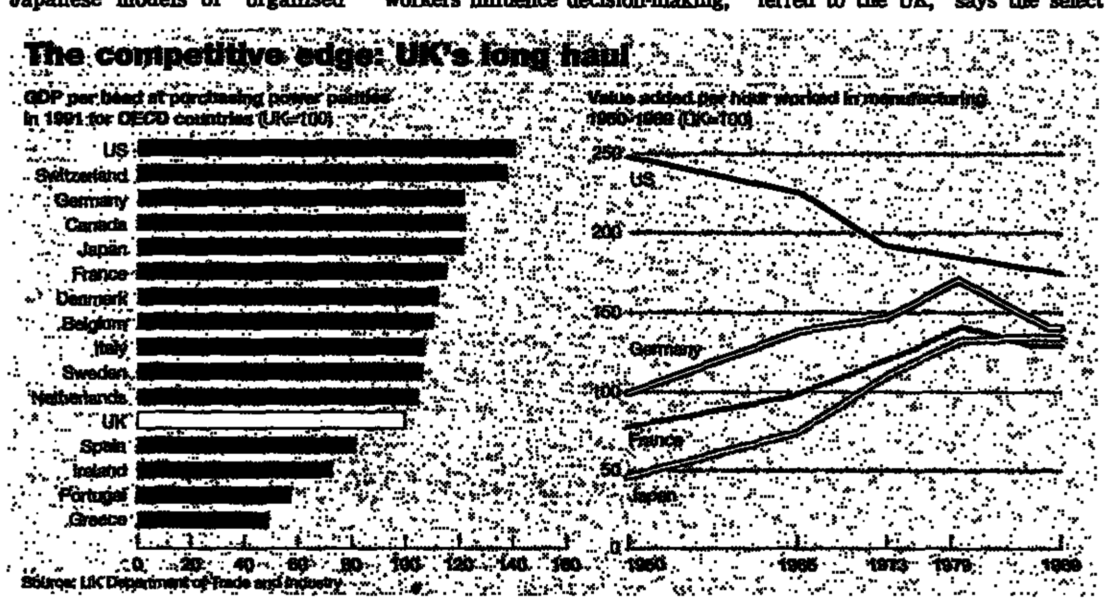
But to economists such as Mr Ewart Keep and Mr Ken Mayhew, this minimalist policy contradicts the government's objectives. They told the select committee: "On the one hand ministers and civil servants have painted the vision of a high-wage, high-tech, high-skill future . . . the only one that advanced economies can sustain in the long run. On the other hand actual policy has sought to emphasise low wage costs and a deregulated labour market."

If there is a tension here, it does not adversely affect high-technology sectors of the US economy, for example. It is, in any case, a tension in many analyses of competitiveness, including that by Mr Jacques Delors, president of the European Commission, entitled *Growth, Competitiveness and Employment*.

Management theorists such as Professor John Kay also seem unsure which side of the argument they are on. Prof Kay talked to the select committee about creating high-trust, high-commitment relationships within companies. But under questioning he said that countries should play to their competitive strengths which, in the case of Britain, may mean nurturing US-style high flexibility and low cost.

Even Labour-sympathising academics, such as Mr David Soskice, have concluded the UK will not be able to create the conditions for a high-skill manufacturing economy. Policy should concentrate instead on copying US mass higher education to equip young people for the high value-added end of the service industries on which most national wealth will depend.

Mr Keith Hampson, a leading member of the trade and industry select committee and a confidant of Mr Heseltine, believes that the German-Japanese and the US models are converging. He also believes that the UK can forge a coherent "middle way" between them, and that the country's low-cost, deregulatory attractions "give us a breathing space to get our act together". Today's white paper will be the testament of that British way.



Source: UK Department of Trade and Industry

OBSERVER

Running out of energy

■ Whatever happened to John Moore, or Lord Moore of Lower Marsh, to give him his proper title? He maintains such a low profile these days that it's hard to believe that only seven years ago he was being canvassed as a future prime minister of Britain.

Take the growing row about the financing of the new Energy Saving Trust, which he chairs. It is a central plank of the government's energy efficiency campaign but its very survival is already being threatened by Clare Spottiswoode, director-general of Ofgas, the gas regulator.

Without her backing, the trust can raise only a small fraction of the £400m a year it needs to spend to meet government targets. However, in this increasingly heated debate, it is the trust's capable but little known chief executive, Eoin Lees, who has been left to fight its corner.

Lord Moore's recent public pronouncements have been limited to a short introduction to the trust's latest annual report, which talked of "an encouraging start". His deeper views of the trust's predicament are hard to establish since he doesn't seem to like being quizzed by the press.

His sensitivity to press comment, dating back to his unlucky time as secretary of state for social security, may explain his shyness. But at this vulnerable stage in the trust's fortunes, it surely needs a chairman who is more preoccupied with saving energy than his face.

Bright spark

■ Ever wondered what's happening behind the scenes when the voice on the phone says: "I can't seem to find you on my screen . . . how are you spelling that?"

Well, so has Eastern Electricity. After months of "intensive investigations", the company has finally discovered why its "corporate data network" (CDN) kept failing without warning, and then mysteriously righting itself. In a memo to staff, chief executive John Devaney says that CDN "outrages" have cost 18,000 hours in lost production effort, not to mention the inconvenience to customers.

"Specialised equipment" eventually pinpointed the problem – to a single PC at head office on to which a multi-user computer game had been loaded . . .

Educated guess

■ No secret that John Patten's job at the Department for Education is one of the least secure in the cabinet. Perhaps a bit more surprising is the press of hopefuls jockeying to succeed him.

'He's only pretending to be asleep in front of the telly – he's boycotting the Euro-elections'

In addition to the likes of Michael Portillo, Steven Dorrell and Virginia Bottomley, it emerges that social security secretary Peter Lilley, the ex-Greenwell's oil analyst, also fancies exchanging the never-ending headaches of the Child Support Agency for worries about a different facet of youngsters' development.

Lilley has been surprisingly successful over the past two years, but with more cuts expected in his £80bn budget it may be time to get out while he is still ahead. A suspiciously large chunk of his recent Spectator lecture was devoted to the subject of education.

However, while Lilley is regarded as one of the most intellectually able in the cabinet, the prime minister may be disinclined to make changes in an area as sensitive as social security just at the moment. And would it be a promotion for him anyway?

It's a strine

■ Bet Alexander Downer, the new leader of Australia's opposition, didn't get bullied in Britain in the same way as he does in Australia. His dad was Australian high commissioner in London between 1964 and 1972 and young Downer went to school in Oxford and got his degree in politics at Newcastle. His enemies in Australia call him Shirley Temple because of his black curls, and there has long been a joke that when his family's home was in the Canberra suburb of Downer, they lived at the posher end – Upper Downer.

Bad survey

■ Sir James Blyth, chief executive of Boots, doesn't seem too keen on chartered surveyors.

Why was it, he asked a property conference yesterday, that the surveyors employed by Boots had to be trained from first principles in almost every area of commercial life from the rudiments of marketing to constructing a business plan? And why was it, he continued, that while so many Boots managers work in jobs remote from their professional training, all the surveyors in the company are in positions directly associated with property? Surely, he argued, surveyors should be capable of pursuing broader business careers.

Could this view have anything to do with the fact that Boots' outgoing chairman, Sir Christopher Benson, is a well-known chartered surveyor?

Whisky sour

■ Everyone knows Whisky deserves more attention than Soda, so Chris Patten's Norfolk terrier decided to take matters into its own paws. Still smarting from the star treatment accorded to fellow pooch Soda when it went awol nearly two years ago, Whisky decided to bite back. Unfortunately, sinking your teeth into a 21-year-old workman has consequences in Hong Kong, even if you chew bones with the governor nightly. Whisky was unceremoniously carted off to the official dog kennels for observation – a risky way to gain attention in a place where canine criminals have been known to incur the death sentence.

Nuncupate

■ Are you allowed to kiss a nun? Yes, but don't get into the habit.

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FINANCIAL TIMES

Tuesday May 24 1994

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Worries grow over unrest in plants and on farms

Zhu signals easing of credit to state factories

By Tony Walker in Beijing

Mr Zhu Rongji, China's senior vice-premier in charge of the economy, has signalled an easing of tight restrictions on lending to ailing state enterprises and has appealed for greater efforts to increase grain and cotton production.

Mr Zhu's remarks, published on the front pages of main Chinese newspapers yesterday, indicate growing official anxiety over labour unrest in cash-starved state factories, and reflect worries about a serious shortfall in cotton production accompanied by signs of growing agitation among peasants.

In the past two weeks, Mr Zhu has addressed two economic forums attended by provincial leaders from China's central and southern provinces. At both, he called on economic departments and banks to "help" failing enterprises.

He said government bodies including financial institutions should "make surveys and help enterprises to resume production and get out of these predicaments".

The State Statistical Bureau reported that in the first quarter nearly half the state enterprises lost money. Some estimates put "triangular debt" – enterprises owing money to each other for raw materials and finished products – at Yn300bn ($35bn).

Mr Zhu, who is also governor of the People's Bank of China, the central bank, has been under pressure from the powerful state enterprise lobby to ease credit restrictions to save state-run factories from bankruptcy and avert thousands of job losses.

His appeal to officials to "fully arouse" farmers' enthusiasm for cotton production reflects deepening government concern over sharp rises in the cotton price. The textile industry is one of the country's biggest employers, and factories are facing difficulties in securing supplies. Some have had to stop production.

Mr Zhu, who has made curtailing inflation a main priority, has been insisting on continued tight credit policies. But banking statistics for April show an increase in state enterprises' funds, indicating that an easing of restrictions is already taking place.

Western economists in Beijing say the government is likely to continue to be selective in providing credit. They contrast the latest cautious easing with the panicky steps taken last September and October to provide additional money to lossmaking enterprises.

The April and March inflation figures, slightly down on the rate of growth registered in the first two months of the year,suggest that the government may have some scope for a limited relaxation of credit.

Mr Zhu's call for an improvement in handling what he called "relations between reform, development and stability" coincides with official alarm about growing unrest among peasants, whose returns from their tiny plots are being squeezed by higher production costs.

Farmers are also angry about a widening gap between country and city, inland and coastal regions. Inflation has also been rising faster in rural areas than in the city, according to the state statistical bureau.

Mr Ren Jianxin, a senior party official, was quoted at the weekend in the People's Daily, the Communist party newspaper, as saying at a meeting on rural instability that the "security management situation remains extremely grim".

Yeltsin acts to stimulate Russia's economic reform

By Leyla Boulton in Moscow

Mr Boris Yeltsin, the Russian president, seeking to revive economic reform, yesterday scrapped quotas and licences for oil and gas exports from July 1 and offered a three-year tax holiday to foreign investors in the manufacturing sector.

Six decrees issuedyesterday are a bid to push the government of prime minister Victor Chernomyrdin into resuming the more active economic reform in evidence until last winter – in part by not waiting for parliament to pass the relevant legislation.

The decrees fit with the views of Mr Chernomyrdin and many parliamentarians who want measures to stimulate economic growth and restore discipline among state-owned enterprises.

The scrapping of quotas and licences for almost all exports means Russia has finally lifted antiquated controls on its lucrative energy exports.

The quotas and licences have stimulated massive corruption and have served as an indirect control on domestic energy prices by regulating quantities available on domestic markets.

However, Mr Alexander Livshits, head of the president's group of economic experts, said this decree would not significantly increase hard currency exports because export taxes remained high and pipeline capacity is still restricted.

It is unclear how the decree's scrapping of all exemptions on export taxes – with several exceptions– would affect tax breaks promised to foreign oil companies.

In an effort to stimulate economic growth and reduce tax evasion, Mr Yeltsin instructed the government to submit to parliament by September 15 legislation lowering companies' overall tax burden by 10-20 per cent. He also decreed a three-year exemption from profit tax for all manufacturing ventures registered since January with at least 30 per cent foreign ownership and $10m investment – as long as they stay in business for at least five years.

Another decree sought to restore genuine state control, including the power to dismiss dishonest and incompetent directors, over enterprises theoretically owned by the state but in reality free to do what they want.

Mr Livshits said a priority of this decree was to stem theft of state property by directors of enterprises

Professor Yevgeny Yasin, head of the president's analytical group, said the decree would affect several defence plants and inefficient factories.

Mr Yeltsin issued instructions to reduce enterprises' debt to one another and the state treasury.The decree allows the government to start bankruptcy proceedings against companies which are more than three months late paying tax.

Gerber agrees to $3.7bn bid by Sandoz

Continued from Page 1

nutrition products and a small baby food line. However, only 14 per cent of the nutrition division's SFr1.7bn sales last year were in North America, whereas nearly 90 per cent of Michigan-based Gerber's $1.2bn sales were in its home continent.

Mr Marc Moret, chairman of Sandoz, said Gerber's excellent image and exceptional market strength in North America "give us a strong base in child nutrition on which we will expand internationally". Gerber is understood to have been actively seeking a suitor for several months. Nestlé, the Swiss foods group, had earlier been a strongly tipped bidder, and Hershey Foods of the US had been mentioned as a possible candidate.

Japan and US edge towards agreement on trade

By Michiyo Nakamoto in Tokyo and Nancy Dunne in Washington

US and Japanese officials went into their fifth day of trade talks in Washington yesterday amid expectations that they were edging towards agreement in some of their disputes.

Tokyo's ministry of finance unexpectedly sent to Washington an official responsible for bilateral negotiations on opening up Japan's insurance market – Mr Eisuke Sakakibara, vice-chief of the International Financial Bureau – left in an apparent move to push the talks forward.

There were also indications that the US had softened its stance, although Mr Mickey Kantor, the US trade representative, denied that Washington was in retreat from its original intention to negotiate agreements seeking objective criteria to measure market access.

But Mr Alan Tonelson, research director of the Economic Strategy Institute, which has close ties with the administration, said: "My impression is we are really backing off."

He said Mr Kantor might have lost control of the negotiations to the State Department, where there is concern that US-Japan trade disputes are threatening the broader relationship and the administration's Asia trade policy.

That created the impression in Washington that the negotiators were ready to "harvest the gains" of previous talks and reach deals on those sectors the Japanese government can most influence: government procurement of medical equipment and telecommunications and insurance liberalisation. Vehicles and vehicle parts could be set aside.

Mr Tsutomu Hata, the prime minister, summoned his chief cabinet secretary, Mr Hiroshi Kumagai, who was until recently trade minister, as well as officials from the key ministries of trade, foreign affairs and finance, to his official residence to discuss how the talks could be taken forward before the Group of Seven meeting in July.

He told the bureaucrats to try to ensure success for yesterday's negotiations on the groundwork for resuming the talks.

"We are negotiating very extensively. The talks are at a very delicate stage now," Mr Hata told a group of reporters.

Japanese officials played down speculation in the press that a breakthrough might be possible because of a softer US stance, but were clearly doing their best to keep the momentum going.

"There are talks scheduled this week on global co-operation, so officials are scheduled to be in Washington anyway," one foreign ministry official said. The hope, he said, was that the unofficial talks be made official.

THE LEX COLUMN

BA's American dream

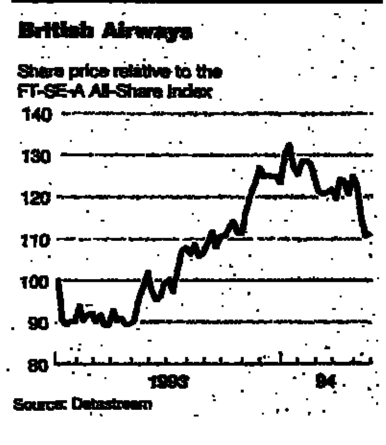
British Airways' acknowledgment that it may have to write down its £275m investment in USAir is welcome. Prospects for the troubled US carrier look bleak. It would take monumental efforts to achieve the $1bn a year in cost savings that USAir management has set its sights on. Chapter 11 is a real possibility. BA's preference dividends are vulnerable.

But all this is not disastrous. For a start, the benefits from the partnership with USAir – through code-sharing, merged frequent flyer programmes and cost savings – should continue even if the US carrier files for bankruptcy. These benefits, expected by BA to reach £70m this year, dwarf the £16m the company receives from its preference shares. Chapter 11 might even present BA with the opportunity to increase its stake in USAir on the cheap, while simultaneously avoiding many of the regulatory hassles the company has hitherto experienced in its US expansion strategy. The Clinton administration could find it harder to turn down BA if it was rescuing a bankrupt company.

Meanwhile, the rest of BA's business performs strongly. Pre-tax profits of £301m in 1993-94 contrast sharply with the red ink staining most rivals' accounts. In the current year, traffic will continue to grow as the airline market's recovery gathers pace, though prices will be held back by continuing overcapacity in the industry. The management is also maintaining pressure on costs, with another £150m in cuts promised this year.

In the longer run, BA's continental European operations should add to earnings. Deutsche BA and TAT will soon move into profit. And much as BA screams blue murder about state aid to rival European airlines, it seems likely that one way or another the British carrier will come out of the row with increased market share.

FT-SE Index: 3108.4 (-18.9)



Source: Datastream

Ladbroke

Gratifying though the improvement in Ladbroke's disclosure is, it obviously has not improved enough. Otherwise the market would have been less confused by the disconcerting news on credit betting in yesterday's trading statement. At first glance, the 8 per cent fall in the shares suggests a need to reassess the quality of Ladbroke's earnings from betting. If a few high spenders can more than wipe out the increase in profits from retail betting during the first four months of a year – when the Grand National actually ran – then perhaps the earnings stream is not worth so much after all. Crockfords, which has a concentration of big spending customers, trades on a historic multiple of less than 10. Even after yesterday's fall Ladbroke's multiple is in the mid-20s.

It would help if Ladbroke were to break down the contribution from credit betting to its operating profits. The danger is that investors will conclude that it is bigger than it really is. It seems unlikely that credit betting normally contributes more than 10 per cent. If so, it is big enough to produce the occasional short-term glitch, which is only conspicuous now because progress elsewhere, in hotels for example, remains pedestrian.

That does not warrant a wholesale re-rating of the shares. Rather it is the realisation that Ladbroke's new management cannot transform the company overnight which ought to justify yesterday's sharp correction. The shares are now back where they were in early May. The run they had enjoyed looked odd for a company whose newly-cut dividend is still barely covered by adjusted earnings.

Sandoz/Gerber

A strong currency, cheap money and virtually non-existent gearing have made foreign acquisitions irresistible to the Swiss. Sandoz's $3.7bn agreed purchase of US baby food manufacturer Gerber is only the latest example. This month has also seen fellow pharmaceuticals group Roche bid $5.3bn for Syntex as well as foreign moves by Nestlé and Holderbank.

Though Gerber may not look expensive when viewed through Swiss lenses, the acquisition seems thin on industrial logic. Sandoz's own nutrition business mainly sells to health-conscious adults through specialist health food stores, while Gerber sells baby food through supermarkets. So there seems little scope for pumping Gerber products down Sandoz distribution channels or vice versa.

It may be possible to add value by capitalising on Gerber's strong brand name. Sandoz products may gain wider acceptance in the US if rebranded with the Gerber logo. But all this will not be easy. Given that, the purchase price of almost 30 times 1993-94 earnings is hardly cheap.

Exco

Exco's management must be hoping that its second coming as a quoted company will be less hair-raising than the first. Having been swallowed up by British & Commonwealth in 1986, the money broker was left in limbo when B&C collapsed. While the question of ownership was partially resolved by a placing of shares with institutions two years ago, B&C's administrators are keen to cash in their remaining chips. Since Exco increased earnings by more than half last year, the timing for a flotation looks auspicious.

Investors will have to decide whether the company is being offered at a cyclical profits peak or near the start of a prolonged recovery. Exco delivered steady growth through the 1980s, but that was an era of expansion. Growth opportunities are now less obvious. While money market turnover should continue to grow, commissions are being squeezed. Yet Exco's spread across time zones and financial markets should help iron out the worst of the volatility in earnings. If management can keep a grip on costs, there must be a fair chance that profits will rise from here.

Without much segmental information or an idea of what dividend Exco will pay, valuation is difficult. Assuming the company will use its strong cash flow to support a decent yield, though, a multiple of at least 10 times last year's earnings or a market value a shade more than £200m would look fair value.

Caledonia Investments, the Cayzer family vehicle which sold out of B&C while the going was good, would then again have shown impeccable timing. The 27 per cent stake it bought from the administrators two years ago would have trebled in value.

Ministry of Transport, Communications and Water Management, Republic of Hungary

Hill Samuel is advising the Hungarian Government on the tendering for the concession related to the M3/M30 Toll Motorway Project

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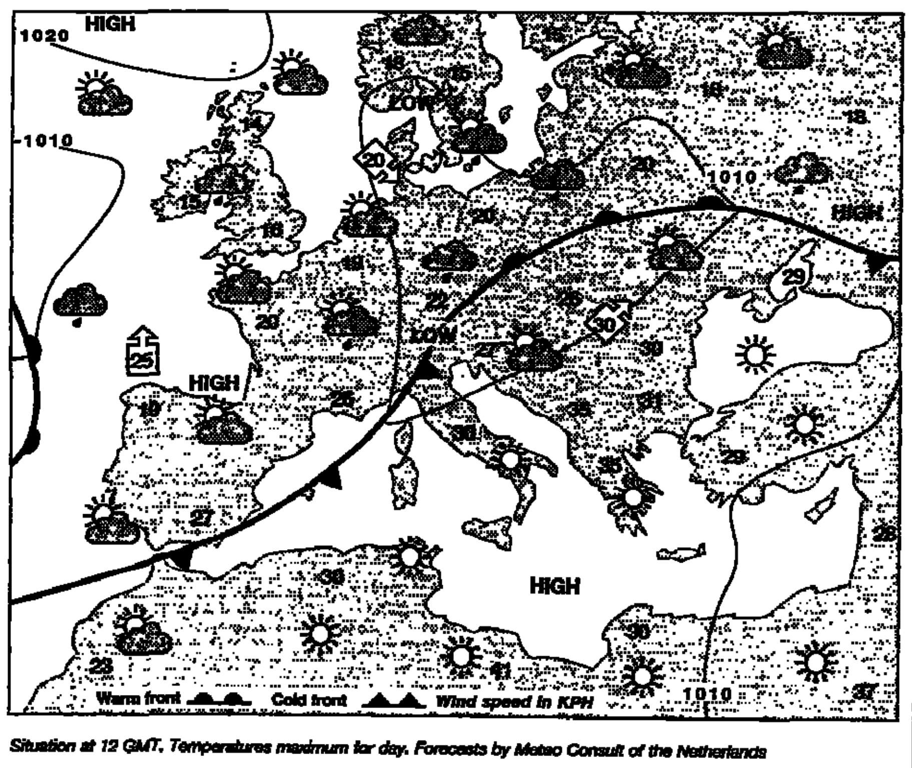
FT WEATHER GUIDE

Europe today

A complex low pressure area will influence central and parts of western Europe. The east of the Netherlands, eastern Belgium and France, Luxemburg, Germany, Poland, the Czech republic, Slovakia and the Alps will have outbreaks of rain and afternoon temperatures of 18C-22C. South-east Europe will have abundant sun and tropical temperatures. A thunder shower will develop over northern Italy but southern regions will have a lot of sun. The western Netherlands, Belgium and France and southern England will have sunny spells. The rest of the British Isles will be rainy. South-west Europe will have frequent sunny intervals. Southern Scandinavia will have cloud, sun and a few showers.

Five-day forecast

South-west Europe will remain sunny and dry. The south-east will have a lot of sun and above normal temperatures. Showers will linger over Poland, Germany, the Czech republic and Slovakia. North-west Europe will have sunny spells tomorrow, but rain will move in from Thursday. Conditions will improve over the British Isles towards the end of the week. Southern Scandinavia will have frequent sunny spells and just an odd shower.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius			Beijing	sun	29	Caracas	fair	29	Edinburgh	cloudy	14	Madrid	fair	25	Rangoon	cloudy	32
			Belfast	rain	15	Cardiff	shower	16	Faro	fair	22	Majorca	thund	29	Reykjavik	fair	11
Abu Dhabi	sun	37	Belgrade	sun	36	Casablanca	cloudy	23	Frankfurt	thund	20	Malta	sun	34	Rio	cloudy	26
Accra	shower	28	Berlin	rain	21	Chicago	shower	26	Geneva	thund	19	Manchester	shower	15	Rome	fair	27
Algiers	sun	30	Bermuda	cloudy	25	Cologne	rain	20	Gibraltar	fair	25	Manila	cloudy	33	S. Frsco	sun	22
Amsterdam	fair	17	Bogota	cloudy	18	Dakar	fair	27	Glasgow	fair	14	Melbourne	cloudy	20	Seoul	fair	25
Athens	sun	33	Bombay	sun	35	Dallas	fair	32	Hamburg	cloudy	18	Mexico City	fair	34	Singapore	shower	31
Atlanta	sun	32	Brussels	thund	20	Delhi	fair	43	Helsinki	cloudy	15	Miami	fair	31	Stockholm	fair	18
B. Aires	fair	19	Budapest	fair	30	Djakarta	fair	32	Hong Kong	shower	32	Milan	fair	28	Strasbourg	rain	20
B.ham	shower	15	C.hagen	cloudy	17	Dubai	sun	38	Honolulu	fair	24	Montreal	cloudy	18	Sydney	fair	24
Bangkok	shower	34	Cairo	sun	35	Dublin	rain	14	Istanbul	sun	29	Moscow	rain	18	Tangier	cloudy	20
Barcelona	thund	25	Cape Town	fair	18	Dubrovnik	sun	32	Jersey	fair	12	Munich	rain	20	Tel Aviv	fair	33
									Karachi	fair	36	Nairobi	fair	24	Tokyo	fair	26
									Kuwait	sun	40	Naples	sun	31	Toronto	shower	21
									L. Angeles	sun	22	Nassau	shower	26	Vancouver	fair	23
									Las Palmas	cloudy	24	New York	fair	23	Venice	shower	26
									Lima	cloudy	23	Nice	fair	25	Vienna	shower	28
									Lisbon	sun	21	Nicosia	sun	33	Warsaw	shower	21
									London	shower	18	Oslo	shower	18	Washington	fair	22
									Luxbourg	thund	19	Paris	fair	21	Wellington	cloudy	12
									Lyon	rain	22	Perth	fair	18	Winnipeg	fair	17
									Madeira	shower	22	Prague	rain	19	Zurich	thund	19

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IN BRIEF

Enichem creates a record loss

Enichem, the chemicals subsidiary of Italy's state-controlled Eni group, announced a record loss for 1993, after deliberately taking into account heavy extraordinary charges to prepare for a four-year restructuring programme. Page 18

Pharmacia ripe for sale
Eight years ago the prospect of Mr Jan Ekberg steering one of the world's top 20 pharmaceuticals companies through Sweden's largest privatisation seemed remote. The Pharmacia chief executive was more concerned with saving his loss-making Nordic-orientated company from extinction. But the company survived. Page 18

A surprise at BP Canada
Jim Buckee's career has taken some surprising turns since he arrived in Calgary in September 1991 as president of British Petroleum's Canadian subsidiary. Page 19

YPF goes for a shake-up
YPF, Argentina's privatised oil company, is to transform its domestic operations and back a cautious expansion into neighbouring markets with a $100m a month investment programme. Page 20

Bonds fall on Bundesbank reports
European government bonds fell sharply on reports of comments made by Bundesbank President Hans Tietmeyer, which were taken to mean that there would be no more official German interest rate cuts in the near future. Page 22

Tokyo OTC surges
Since the beginning of this year, Japan's over-the-counter stock market has gained 28.1 per cent on prospects of high growth against an 18.4 per cent rise in the Nikkei 225. Back Page

Fall in high rollers hits Ladbroke
The number of big bets by high rollers on credit with Ladbroke fell in the first few months of the year, hitting profits in the betting and gaming division. Mr John Jackson, chairman, told the annual general meeting group profits were "currently below last year's level." Page 24

National Home Loans back in mortgages
National Home Loans, the UK centralised mortgage lender, announced it would resume residential mortgage lending after a three year absence, following its return to profitability. Page 24

Betterware rises 3%
Betterware, the UK direct home shopping group, yesterday reported a 3 per cent increase in full year pre-tax profits held back by lower interest receipts and the absence of a large exceptional gain. Page 24

Domino shares advance
Shares in Domino Printing Sciences, the UK printer maker, rose 27p to 517p following a sharp advance at the interim stage. Page 25

Success behind a Senior move
Flexible couplings and expansion joints may sound unglamorous, but these products have transformed the strategy and prospects of Senior, the UK engineering group. Page 26

A good mix at Kenwood
Higher sales, continued cost control and improved results from overseas subsidiaries were behind a 14.5 per cent rise in annual profits at Kenwood Appliances, the UK household appliance maker which was floated in June 1992. Page 27

Companies in this issue

Market Statistics

Chief price changes yesterday

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
CPC Intl	47¼	+	1¼	Chiba Bnk	956	+	34
Gerber Products	50¼	+	15¾	Kawasaki Hvy	434	+	13
Kodak	48½	+	1	Minolta	558	+	24
Quaker Oats	66¾	+	1½	Mitsui Mar	863	+	32
Falls				Yuasa Corp	666	+	16
Procter & Gamble	54⅛	–	1¼	**Falls**			
3M	50¾	–	1	Calsonic	605	–	13

Frankfurt and Paris closed. New York prices at 12.30pm

LONDON (Pence)							
Rises				**Falls**			
Acorn Computer	86	+	12	Albion	96	–	17
Celsis Intl	91	+	4	British Borneo	226	–	7
Dixon Motors	223	+	30	Daniels (S)	64	–	10
Domino Prtnt	517	+	27	Eidos	350	–	55
Fairline Boats	395	+	15	Eurotunnel Uts	355	–	20
French Connectn	180	+	6	Everest Foods	66	–	3
Frost Group	250	+	7	Ladbroke	162½	–	16½
Portals	796	+	32	Signet	39	–	5¼
Sherco	154	+	10	Tadpole Tech	314	–	13
Standard Platng	30	+	4				
Telemetrix	103	+	5				
World of Leather	82	+	5				

■ Pre-tax profits up 63% ■ Return of business traffic ■ Further gains expected

BA surges but warns on USAir

By Paul Betts, Aerospace Correspondent

British Airways yesterday reported a 63 per cent rise in pre-tax profits to more than £300m ($450m) for the year to March, but warned it may have to make provisions on a £275.3m investment in USAir, its troubled US partner.

The future of BA's 24.6 per cent stake in USAir remains the biggest cloud over the UK carrier's short-term prospects.

Sir Colin Marshall, BA's chairman, said USAir's future hinged on efforts to negotiate concessions from its labour force. If these negotiations were not successful, BA directors believed a provision for permanent diminution in the book value of the investment would be necessary.

Sir Colin described the airline's overall performance as a "significant improvement" in a highly competitive market. He added that BA expected to show a "further recovery in earnings" this year.

Annual pre-tax profits totalled £301m, compared with £185m in 1992-93. In the last quarter, BA made a £1m pre-tax profit, turning round a £62m loss, with operating profits amounting to £55m against a £25m loss.

Sir Colin said BA's performance contrasted with the rest of the airline industry, which last year lost $4.1bn (£2.7bn) on international scheduled services.

BA's progress reflected its cost-cutting drive, increased revenues and a 6 per cent recovery in first and business class traffic. Turnover rose 13.2 per cent to £6.3bn, while operating profits increased 60 per cent to £496m.

BA carried 30.6m passengers last year, up 8.9 per cent. Gains were made across all its routes, with European services showing a £69m operating profit; the Americas £129m; Africa, the Middle East and Indian sub-continent £203m; and the Far East and Australasia £95m.

However, disruption caused by the Irish Republican Army terrorist attacks on Heathrow airport in March cost the airline about £10m.

While BA was concentrating on reaping the benefits of its global alliances, only Qantas, the Australian airline, was making any money. Mr Robert Ayling, BA's managing director, said improvements were expected at the French affiliate TAT, following the launch of a restructuring and job cutting programme, and at the German affiliate Deutsche BA. Both had been "disappointing" last year.

Overall, losses from associates declined by £6m to £11m last year. The losses at TAT and Deutsche BA were offset by BA's share of profits from Qantas and by preferred dividends from USAir amounting to £16m.

Annual earnings per share totalled 31.3p, against 23.1p. The board is recommending a final dividend of 7.92p, giving a total of 11.10p, up 9.3 per cent.

Lex, Page 17; The USAir shadow, Page 27

Ebner's BK Vision slips into the red

By Ian Rodger in Zurich

BK Vision, the investment fund controlled by Mr Martin Ebner's BZ banking group, tumbled into a SFr30.1m ($21.42m) loss in the first four months of 1994 compared with a SFr9.9m profit in the same period last year.

The loss was mainly due to a severe turnround in the fund's trading performance from a SFr40.4m profit to a SFr3.9m loss.

The fund sold all of its shares in CS Holding, the financial group built around Crédit Suisse, during the period, apparently at a loss.

The CS Holding stake, consisting of 350,000 bearer shares, was acquired last November in exchange for shares in CS subsidiary Leu Holding.

Its market value was SFr258m at the end of 1993, but the CS share price fell 18 per cent in the first four months of 1994.

Mr Ebner, BK chairman, signalled in January that the fund would run down its CS holding. "The tasks of an owner shareholder cannot be credibly performed at two big Swiss banks simultaneously," he said in his interim statement.

BK Vision is the largest single shareholder in Union Bank of Switzerland with 5.6 per cent of the capital worth SFr1.95bn at the end of April.

The CS sale left BK Vision's SFr2.5bn portfolio at the end of April holding securities of only two financial companies, UBS and Zurich Insurance.

The other factor in the fund's loss was a SFr20.1m charge for administration. Substantially all of this was a performance-related fee payable to BZ Trust, the fund's manager, for the fourth quarter of 1993.

These fees have been spectacularly high in the past year or so, reaching SFr250m in 1993.

However, since the end of January, the share price and net asset value (NAV) of BK Vision have been declining.

Mr Ebner pointed out that they were now substantially below the threshold value of SFr1,758 on which future fees would be calculated.

This means that no fees are likely to be payable for some time.

A formula provides that fees are paid only if the lower of the share price or NAV rises by more than 6 per cent in a quarter. Any declines must be recuperated (to the threshold value) before growth is calculated.

Investors block float of Matav

By Nicholas Denton in Budapest

Deutsche Telekom and Ameritech, the German and US telecoms companies, have blocked the Hungarian government's plans to float Matav, the national telecoms utility, on the Budapest stock market.

Hungary's state holding company, AV RT, sold 30 per cent of Matav to Deutsche Telekom and Ameritech in December, in eastern Europe's largest single privatisation.

The AV RT, with its residual shareholding of 67 per cent, hoped to sell a further tranche of shares to the Hungarian public this autumn.

The public offering was to have been the centrepiece of the conservative government's mass privatisation programme. Its delay is another severe blow to the scheme.

Under local law, approval from shareholders with at least 75 per cent of the capital is required before a listing can be sought, so the foreign groups have been able to block an immediate float.

A Matav committee investigating possible timing for the float is expected to recommend holding off until 1995 or even 1996.

Deutsche Telekom and Ameritech believe Matav should go to the stock market once their revamp of the utility becomes visible to the market. Matav, which is at the start of a $4bn investment programme, last week reported after-tax profits of Ft1.6bn ($16m) for 1993 and expects only to break even this year.

Moreover, an early flotation of Matav, one of Hungary's largest companies, runs the risk of overwhelming the Budapest stock exchange, the least active of the three main east European bourses.

Deutsche Telekom and Ameritech fear a public offering this autumn could only succeed if it were priced below the level investors paid at the end of last year: $875m for a 30 per cent stake.

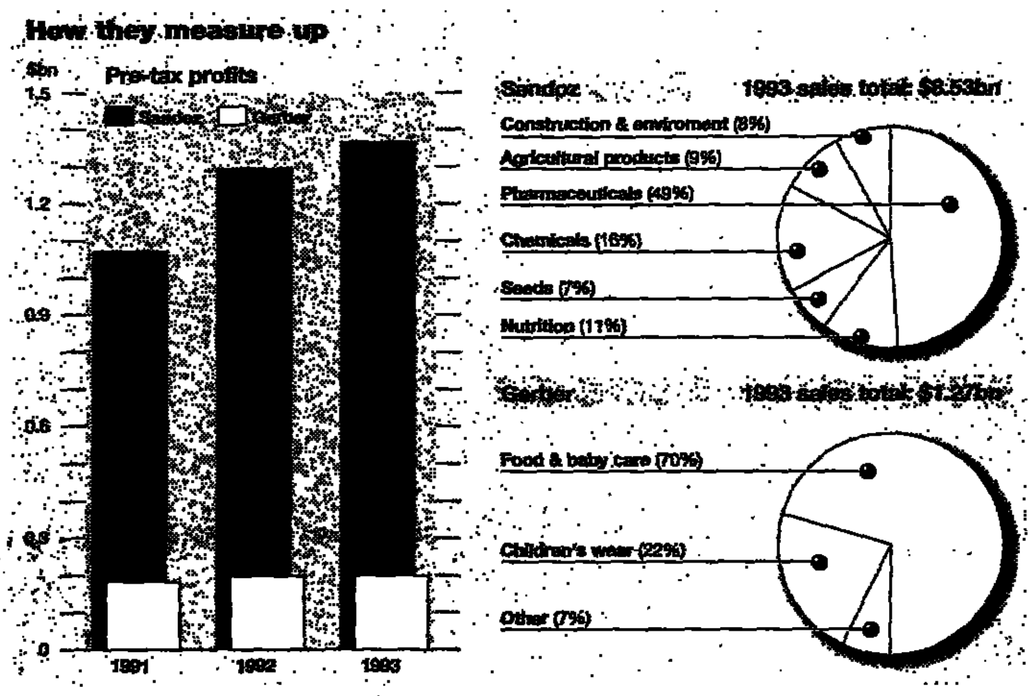
While it would be the AV RT that bears the direct loss, US regulations would force Ameritech tc value its investment at the prevailing market price and make a write-off.

Deutsche Telekom and Ameritech have little incentive to use a premature flotation to increase their shareholdings, because their consortium has effective control of Matav's operating committee and day-to-day management.

The Matav case exemplifies the difficulties inherent in the Hungarian authorities' efforts to combine the sale of controlling stakes in state companies to industry investors with later public offerings of its residual shareholdings.

Sandoz sees its purchase of Gerber as a chance to balance its pharmaceuticals activities, write **Ian Rodger and Richard Tomkins**

A grown-up step into the baby food market



Executives of Sandoz, the Swiss pharmaceuticals and chemicals group, were at pains yesterday to emphasise that splashing out $3.7bn for a baby foods company did not mean that they were downgrading their commitment to drugs. "If a good opportunity to take over a pharma company came along, we would do that too," it said.

But Sandoz's purchase of Gerber Food Products suggests it is not as confident as its Basle neighbour Roche in the future of the increasingly turbulent pharmaceuticals business. Roche made a $5.3bn offer for Syntex, a US drugs company, three weeks ago, and Mr Fritz Gerber, Roche chairman, reaffirmed his conviction that the research-based pharmaceuticals business would continue to offer excellent profit potential.

By contrast, Mr Marc Moret, Sandoz chairman, spoke of "achieving a better balance of our activities," at his group's annual meeting three weeks ago.

Sandoz officials pointed out yesterday that the nutrition business, in contrast with drugs, was not capital intensive and was free from the sharp cyclical swings of the group's existing agricultural and industrial chemicals businesses.

Assuming the acquisition goes through, the drugs arm's share of Sandoz sales will decline from 49 to 44 per cent, while nutrition's share will rise from 11 to 20 per cent, surpassing the industrial chemicals division to make it the group's second largest division.

The nutrition business includes special diets and feeding systems for the ill and the aged, performance foods and drinks for athletes, and baby foods. Each product line has its own manufacturing process and is likely to go through a different distribution channel. The only common factor is the perception of quality that enables suppliers to charge high prices. "The important thing is to be in segments where you do not have to compete with the food giants," says Mr Raymund Breu, Sandoz finance director.

The deal gives Sandoz a strong US platform for its nutrition products

Sandoz got into nutrition in 1967 with the acquisition of Wander, the maker of Ovaltine. Today, about 40 per cent of the division's sales come from clinical nutrition and health foods, 22 per cent from Ovaltine and other food drinks, 26 per cent from baked goods and 5 per cent from sports drinks.

Until last year, it looked as if the group was going to concentrate on the high specification "nutriceutical" sectors, taking advantage of its pharmaceutical research and development skills. However, it then moved to build up consumer products, acquiring the Dutch Reforma group, Holland's largest producer of rice crackers and other cereal products and an importer of dried fruits and nuts, with annual sales of Fl42.4m ($23m). Sandoz also entered into a joint venture with Gazzoni, an Italian producer of health foods with annual sales equivalent to SFr180m ($128m).

The Gerber takeover would be a giant step further in this direction, providing Sandoz with a strong US platform for its own nutrition products. However, as with Roche's bid for Syntex, questions will be asked about the 53 per cent premium over market value being offered.

Gerber commands more than 70 per cent of the US baby food market and usually achieves a very high return on its capital. Recently, however, it has been struggling to maintain sales. Yesterday it reported a decline in turnover from $1.27bn to $1.17bn for the year to March. Net profits fell from $132.8m to $113.6m.

The company's main difficulty has been a decline in the number of American babies. Gerber has attempted to counter the impact of this trend by introducing products such as foods that bridge the gap between infant gruel and grown-up food. Its Gerber Graduates, introduced in 1991, are small microwave dishes such as chicken stew with noodles.

It has also tried to target groups with higher birth rates. The Tropical line, for example – made with fruits such as papayas and mangoes – is aimed at Hispanics, who also tend to buy more ready-made baby food than other groups.

Neither effort, however, has enjoyed much success and Gerber has had to contend with battles for US market share with its two main competitors, Ralston Purina's Beech-Nut division and H.J. Heinz, leading to price cuts and higher marketing costs.

To analysts like Mr Les Pugh of Salomon Brothers, the Wall Street securities house, it has long seemed that Gerber's best opportunities for growth lay in developing countries where birth rates are still high.

Gerber itself has belatedly realised this and now sells its products in at least 30 countries. But it has also concluded that it would take many years to build up an adequate international distribution infrastructure.

Both Gerber and Sandoz hope that the Swiss company will be able to provide that infrastructure quickly, and so restore growth.

But existing suppliers in those markets, such as Nestlé, are unlikely to give up their positions easily.

Yen's strength saps Nintendo

By Michiyo Nakamoto in Tokyo

Weak consumer spending and the sharp appreciation of the yen brought an abrupt end to the spectacular rise of Nintendo, the Japanese video games maker, which yesterday reported a sharp drop in sales and pre-tax profits.

Consolidated sales fell 24 per cent in the year to March 1994, to Y485.6bn ($4.7bn) from Y634.7bn. Pre-tax profits plunged 44 per cent to Y92.8bn, compared with Y166.2bn.

This is the first drop in sales and pre-tax profits suffered by Nintendo since 1990 when it reported lower results because of a change in its year-end. Last year, Nintendo's pre-tax profits overtook those of Matsushita, a company several times its size.

Part of Nintendo's difficulty last year stemmed from its heavy reliance on one product – video games – at a time when its main market in Japan was depressed and fierce competition made life difficult in Europe and the US.

Nintendo is also heavily dependent on exports, but the yen's sharp rise against foreign currencies has cut deeply into repatriated profits.

Mr Hiroshi Yamauchi, president, said that the yen's strength had been so damaging on overseas business that it would be nice to be able to pull out of all foreign markets.

Nintendo's parent sales fell 17 per cent to Y467.1bn with pre-tax profits falling 30 per cent to Y115.1bn.

The company forecasts that parent sales will fall again this year to Y410bn and pre-tax profits will rise to Y123bn, but it expects after-tax profits to decline to Y62bn from Y65bn.

The company faces growing competition from consumer electronics manufacturers which are moving into the video games market amid much fanfare. Matsushita has launched a multimedia games machine which has attracted solid sales on the strength of its superior graphics, while Sony is scheduled to launch an advanced video games machine later this year.

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May, 1994
BRITISH BUS PLC
£65 million
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Enichem posts record net loss after heavy charges

By Andrew Hill in Milan

Enichem, the chemicals subsidiary of Italy's state-controlled Eni group, yesterday announced a record net loss for 1993, after deliberately taking into account heavy extraordinary charges to prepare for a four-year restructuring programme.

In 1993, the group lost L2,668bn ($1.7bn) – even higher than the L2,200bn loss Enichem itself predicted last November – compared with L1,560bn in 1992. Charges relating to research and plant maintenance, the reduction of fixed costs, the closure of the least-efficient factories, and redundancies amounted to L1,013bn.

Enichem forecast a "drastic reduction of losses for 1994", and said it could begin to break even in 1995 or 1996. Much depends on the health of the core markets of base chemicals, polyethylene and elastomers, which will be left over once asset sales are completed.

To help Enichem through the worst, its parent company is expected to back a large capital increase – possibly as much as L3,000bn – at a shareholder assembly at the end of next month. Any such cash injection will be carefully analysed by the European Commission for possible state aids.

Enichem's revenue fell to L10,643bn in 1993, although that figure was roughly in line with 1992 when adjusted for disposals.

The group has already embarked on a four-year programme of restructuring and L2,500bn of asset sales in an attempt to bring down its debt. Net financial debt stood at L8,252bn at the end of last year, compared with L7,391bn a year earlier. The company said it wanted to bring debt down to around 1.5 or 1.6 times shareholders' funds.

Servicing the debt cost Enichem L805bn last year, although that was L88bn less than in 1992. Even before financial charges, the operating loss was 86 per cent higher than in 1992 at L572bn compared with L308bn.

BAT reshapes Eagle Star

By Richard Lapper in London

BAT Industries, the Anglo-American tobacco and insurance company, yesterday announced the departure of Mr John Bishop as chairman of its Eagle Star Insurance subsidiary, in a management reorganisation which signals a shift in approach to the increasingly competitive general and life insurance markets.

Mr Stephen Melcher, currently chairman of Eagle Star Life, becomes chief executive of Eagle Star, taking control of life and general insurance.

Alongside other management changes, the aim is to strengthen the Eagle Star "brand", increase control over distribution and raise the profile of Far East operations.

Mr George Greener, chairman of Eagle Star, said customers were looking for a powerful brand to meet all their insurance needs.

Mr Paul Swinburn, director of corporate communications, said : "We went down the road of trying to build different companies. There is a sense in which these companies need some sense of independence, but frankly it had gone too far. People picked up the ball and ran off the field with it."

The company said it aimed to tighten links with intermediaries who sell its products, increasing speculation that BAT may soon take over a building society.

It will also give a higher profile to its telephone car insurance operation, Eagle Star Direct.

Mr Greener said the restructuring recognised growing similarities between businesses in the EU, and developments by the company in fast growing Far East insurance markets.

Mr Pierre Chartrand is to become managing director of the Far East life and general business. Mr Clive Coates, finance director, becomes deputy chairman, and chairman of the South African subsidiary.

Exco float value soars to £200m

By Simon Davies in London

Exco, the fixed-income and money-broking arm of British & Commonwealth Holdings, is to return to the stock market almost eight years after it was bought by the finance group which collapsed in 1990.

Exco is expected to carry a stock-market value of more than £200m ($300m), enabling B&C's administrators to raise at least £80m from the flotation. This compares with the £75m value attached to the business in June 1992, when 60 per cent was sold to institutions and senior staff after flotation plans were scrapped.

One analyst said: "The big profits have already been made by the investors who bought in during 1992." But the company argues that a push into emerging markets, combined with new products, should enhance profitability.

Exco profits have surged in the past two years, spurred by increased activity in the foreign exchange and debt markets in which it operates. Profits increased 52 per cent to £41.5m in 1993.

Subject to pricing, B&C will sell its entire 40 per cent holding. Other shareholders – senior employees own 15 per cent and Caledonia Investments owns 27.4 per cent – have yet to decide.

Exco operates a 24-hour global business, with offices in Tokyo, London and New York.

Money-broking operations, which include spot foreign exchange, money markets and derivatives, all increased profits last year.

Lex, Page 16

Poland may revise bank disposal programme

By Christopher Bobinski in Warsaw

Mr Grzegorz Kolodko, Poland's new finance minister, has suggested that the government's bank disposals programme could be revised.

"The first question which we will be answering by the end of next month will be whether we consolidate the state-owned banks or privatise them," he said in a newspaper interview.

The finance ministry has been planning to sell several more state-owned banks, including the Krakow-based Bank Przemyslowo Handlowy (BPH) which was due for privatisation by the middle of this year. It then planned to consider merging the remaining state banks, either with those already privatised or with each other, before privatisation.

Mr Kolodko suggested the BPH, one of Poland's largest banks, could be merged with others before being offered for sale.

Meanwhile, Mr Janusz Quandt, head of the BPH, is pressing for the bank to be privatised through a share sale to investors. This would avoid the need for a strategic investor as recommended by CS First Boston, which has been advising on the disposal.

So far, two banks have been sold: the Poznan-based Wielkopolski Bank Kredytowy, in which the European Bank for Reconstruction and Development has a 28.5 per cent share; and Bank Slaski, where ING of the Netherlands owns 25.9 per cent of the equity.

The state-owned Bank Gdansk is thought to be next in line for privatisation after the BPH.

Mr Kolodko also suggested that PZU, the state-owned insurer which controls half of the country's insurance market and reported a 325bn zloty ($9.6m) net profit last year, should be broken up. This goes against the views of Mr Roman Fulneczek, chairman, who says PZU should be kept together and privatised through the sale of shares to local investors, management and employees.

Pharmacia ripe for state sell-off

The Swedish drug group is in form, writes Christopher Brown-Humes

Steering one of the world's top 20 pharmaceuticals companies through Sweden's largest privatisation would have seemed a remote prospect indeed to Mr Jan Ekberg eight years ago. The Pharmacia chief executive was more concerned with saving his loss-making Nordic-orientated company from extinction.

The company survived, thanks to restructuring and a spectacular acquisition programme which has taken annual sales to SKr27bn ($3.5bn) in 1993 from SKr1.5bn in 1986. "This company has done more deals than some merchant banks," jokes one observer. The result is that the group has become the true multinational of Mr Ekberg's aspirations, ranking as Sweden's fifth-biggest company by market capitalisation.

The SKr10bn privatisation gets under way today with the launch of the prospectus. The state plans to sell up to 82.2m A shares in the group – 47.4 per cent of the votes – to retail investors and international institutions. It will, however, hang on to a 10.1 per cent voting stake to ensure ownership stability and prevent a hostile takeover. This is an important consideration, given that Pharmacia's second-largest shareholder, the vehicle group Volvo, plans to sell its 28 per cent stake in 1996.

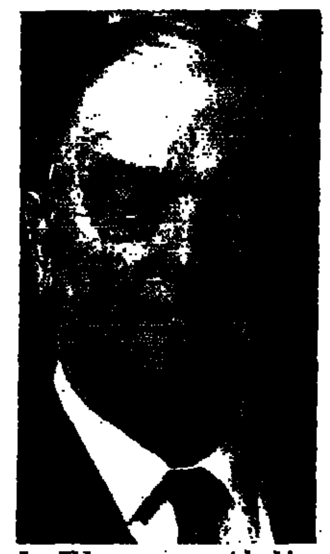
In terms of sales, Pharmacia is even bigger than Astra, Sweden's high-flying drugs company, although the two companies are very different. Astra has achieved its growth organically, whereas Pharmacia has depended heavily on acquisitions. While Astra's fortunes have soared on the back of several blockbusters, Pharmacia has relied on dominant market positions in niche areas.

This dominance is reflected in the fact that in no fewer than five areas – cataract surgery, allergies, growth hormones, nutrition and smoking cessation – the group has the leading world position.

Because of this profile, Mr Ekberg does not appear unduly worried about the company's exposure to government efforts to reduce healthcare spending. Its broad product spread lessens the impact of a clampdown in any particular area. However, it also benefits by having a relatively high exposure to the hospital sector, rather than the retail market where many of the cuts have been focused.

A good example is Italy, Pharmacia's third-largest market. Pharmaceuticals sales there are estimated to have fallen by around 20 per cent in the first quarter – yet Pharmacia's sales were down just 1 per cent.

Following its extensive acquisition programme, culminating last year in the $1.3bn purchase of the Italian pharmaceuticals group Farmitalia Carlo Erba (Fice), Pharmacia's immediate focus is cost-cutting. It aims to achieve annual savings of SKr1.2bn by 1996 as part of a drive to lift its operating margin, to 20 per cent from 13.5 per cent at the end of last year. The group has already merged its marketing companies with Fice's: now the main task is to reduce production capacity, spread over 46 plants in 15 countries, by as much as 50 per cent over the next five years.



Jan Ekberg: group not looking for a blockbuster product

Cost-cutting was the main reason for the company's unexpectedly-strong first-quarter performance. The operating margin rose to 16 per cent, despite a sluggish 3 per cent increase in volumes and lower sales of the company's two main drugs, Genotropin (growth hormones) and Healon (cataract surgery).

Longer-term, Mr Ekberg's target is to grow at least as fast as the market. For this, he is pinning his hopes on a much greater presence in the US market, which accounts for just 14 per cent of sales, and on a range of products in the company's R & D pipeline. The US effort will be assisted in late 1995, when the group will be free to market Genotropin, a drug jointly developed with Genentech, for the first time.

Pharmacia's R & D pipeline includes seven drugs in phase III of clinical trials and six in phase II. The most promising of the former group are Latanoprost (for the eye disorder glaucoma), Eltanolone (an anaesthetic), Factor VIII (a blood-clotting agent) and Cabergoline (for Parkinson's Disease.) Each of the drugs is expected to have annual sales of at least SKr500m.

Some analysts grumble that Pharmacia hasn't got a billion-dollar blockbuster up its sleeve. "We'll never get one. We're not even aiming for one," says Mr Ekberg only half-jokingly. It is part of the niche strategy that the group avoids over-dependence on one or two drugs.

The danger is that as competition intensifies in the big therapeutical areas, some of the world's leading drugs groups will begin to target the niche areas in which Pharmacia operates. Mr Ekberg, however, does not seem to be worried by this.

"These fairly limited areas might not be of core interest for the big companies. If you are a company with sales of SKr50bn looking to grow by five to 10 per cent, you must go for huge market areas."

Halifax shows interest in a society merger

By Alison Smith in London

Halifax, the UK's largest building society, yesterday expressed an interest in merging with another society, in a further sign of the growing pressure for a restructuring of the financial services industry.

Mr Jon Foulds, chairman, said Halifax wanted to be able to play its full part in the "radical rationalisation" of the mortgage lending industry. "This could include a merger with another society," he told Halifax's annual general meeting. With assets of £67bn ($100.5bn), Halifax is already almost twice the size of the next largest society, Nationwide.

In 1993 it made about 18 per cent of total net advances in the UK mortgage market. Only Abbey National, a former society which is now a bank, lent on a similar scale.

Mr David Gilchrist, Halifax corporate development manager, said the society had wanted to correct the impression that it was "standing aloof" from possible mergers. Halifax would be interested in a merger which increased its mortgage market share.

In this context, he made it clear that one of the changes Halifax was seeking from the current Treasury review of building society legislation was a relaxation of the strict rules on the bonus payments that can be made from reserves in a merger between two societies.

The Halifax declaration introduces further speculation into the societies sector, which has been galvanised by Lloyds Bank's £1.8bn cash offer for Cheltenham & Gloucester, the sixth largest society.

If the Lloyds bid overcomes the legal challenge which begins today in the High Court, then it is likely to act as the trigger for other banks which have said they would like to buy societies to press ahead with making offers.

Mr John Wriglesworth, societies analyst at stockbrokers UBS, said the most attractive candidates for Halifax were likely to be Yorkshire, Birmingham Midshires, Coventry, Derbyshire and Northern Rock.

This announcement appears as a matter of record only.

May 1994

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The Limited may expand Bath & Bodyworks unit

The Limited, the US stores group, is considering international expansion of its fast-growing Bath & Bodyworks division, with stores to open overseas, possibly within the next year, AP-DJ reports from Columbus, Ohio.

Mr Leslie Wexner, chairman and chief executive, said after the annual meeting that the company also planned to add a net 400 new stores in 1994 across the various divisions.

The group, however, will continue to reduce the total number of stores in some of its biggest divisions, such as Lerner New York, and its flagship Limited Stores.

It plans to add more than 100 Structure menswear stores and more than 100 Bath & Bodyworks stores, as well as adding more Victoria's Secrets stores.

The Limited, Limited Inc's large but troubled ladies clothing retailer, will reduce its total stores by 40 during 1994, the company added.

Mr Michael Weiss, vice-chairman of Limited Inc, has taken personal control of The Limited Stores, and said the company was redefining its customer. "We've defined it more closely for the woman who wants fashion but isn't trendy and is concerned about price."

Limited, which has successfully launched spin-off catalogues from businesses such as Victoria's Secrets swimsuit catalogue, said this autumn it would "test" a catalogue for its Structure menswear stores.

By the end of 1994, Limited will be operating more than 5,000 stores, including Henri Bendel, Lane Bryant and Express stores.

Mr Wexner said that while the company had been and remained cautious about international expansion, he believed some of their brands had international potential.

The possible international expansion of Bath & Bodyworks has been under study by the company for the past year and the company could make announcements on expansions within the next month.

Talisman Energy discovers independence pays off

The Canadian oil company has concentrated on its upstream activities, reports Bernard Simon

Jim Buckee's career has taken some surprising turns since he arrived in Calgary in September 1991 as president of British Petroleum's Canadian subsidiary. Mr Buckee's job was to get rid of BP Canada's mining interests and narrow its focus to the upstream business of oil and gas exploration and production.

Less than a year after his arrival, the UK-based oil and gas group decided to spin off its 57 per cent stake in BP Canada to public investors. One condition of the deal, however, was that Mr Buckee, after 15 years service with BP, would remain in Calgary at the helm of the newly independent company, which was renamed Talisman Energy.

Mr Buckee, who has a doctorate in astrophysics from Oxford, has stuck to his original mandate of confining the company to upstream activities.

At the same time, he has spearheaded a spectacular burst of growth, which culminated in Talisman's proposal this week to pay about C$1.8bn (US$1.3bn) in cash and shares for Bow Valley Energy, also based in Calgary. British Gas, which owns 53 per cent of Bow Valley's shares, has approved the deal.

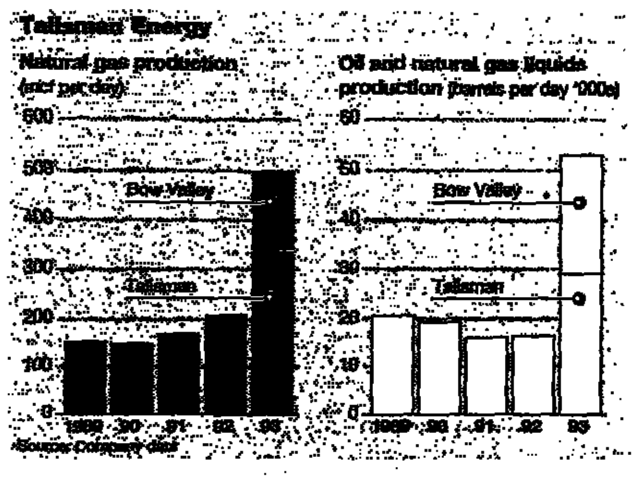
The Bow Valley acquisition will catapult Talisman into the top ranks of the world's purely upstream energy companies. It is now more than treble the size – measured by oil and gas output – of the old BP Canada.

Operating cashflows soared by 88 per cent in the first quarter to C$82.5m, due to last year's purchase of Encor, another western Canadian oil and gas producer, as well as higher gas prices and a weaker Canadian dollar.

First-quarter earnings climbed by almost 70 per cent to C$13.3m, with revenues more than doubling to C$110m.

Bow Valley and Talisman together produced a total of 500m cubic feet of gas a day last year. Their combined oil output was 53,000 barrels a day.

These figures will rise substantially this year, as production rises from the North Sea East Brae field, in which Bow Valley has a 13.3 per cent interest. Its share of production from East Brae will rise to about 14,000 barrels of liquids plus 38m cubic ft of gas a day by the end of the year.



Source: Company data

Mr Buckee has no qualms about Talisman's rapid growth at a time when many integrated oil and gas producers are shedding assets. "Investors prefer a purer play than the integrated companies can provide," he says, adding that "my expertise is in upstream only. I don't wish to fiddle in things that I don't understand".

Mr Craig Langpap, energy analyst at Nesbitt Thomson in Calgary, describes Talisman's management as "very astute and very skilled in finding oil and gas". It has succeeded in fully replacing its liquids and natural gas production with new reserves for the past three years in a row.

According to Mr Langpap, the Bow Valley acquisition has two big benefits. First, it will boost Talisman's exposure to oil, giving it a roughly 50-50 balance between oil and gas. Second, Bow Valley's properties are concentrated in the North Sea and two areas of Alberta. Talisman expects that by combining the two companies, it will save C$10-C$15m a year in operating costs.

Mr Buckee says Talisman will continue to stick mainly to gas exploration in western Canada and to oil in other parts of the world. Capital spending this year (excluding Bow Valley) is expected to reach C$225m, about 50 per cent higher than 1993.

According to Talisman's latest annual report, "even in the event that lower oil prices persist for a substantial part of 1994, we intend to maintain an aggressive capital investment programme".

But Mr Buckee eschews anything too adventurous. "I'm not in the elephant hunting business and I don't particularly like deep water," he says. "I want relatively proven but less mature basins."

The gas exploration programme is especially geared towards deep and relatively unexplored reservoirs in western Canada, centred on the Rockies foothills in north-east British Columbia.

Offshore oil activities have so far focused on Cuba and Algeria. But the Bow Valley acquisition will broaden Talisman's reach to the North Sea and Indonesia. Bow Valley and its partners are working out marketing arrangements for a sizeable gas field in the Corridor area of South Sumatra, from which the Canadian company's share would reach 100m cubic ft per day.

Under the terms of the Bow Valley deal, British Gas will acquire enough Talisman shares to make it the Canadian company's biggest single shareholder with a stake of between 8 per cent and 16 per cent. But British Gas will not seek board representation, and it will come as no surprise if it also puts these shares on the block in the not-too-distant future.

After spending the first 20 years of his career with big integrated oil companies, Mr Buckee clearly relishes his independence. "Control blocks are often seen as security, but patently in the case of BP Canada and Bow Valley, they've been completely the opposite," he observes.

CSFB buys stake in Russian oil producer

CS First Boston, the only western institution with a Russian securities licence, has bought 2.87 per cent of Lukoil, Russia's biggest oil producer, Reuter reports from Moscow.

Bank officials said the stake was bought at a nationwide auction in April when Lukoil offered 7.42 per cent of its shares to the public in exchange for privatisation vouchers.

The Lukoil conglomerate, based in Western Siberia, consists of three oil production enterprises which together account for about 15 per cent of total Russian crude output.

It also has two oil refineries in Perm and Volgograd, marketing outlets, banking and other financial units and is talking to a number of foreign oil firms including Italy's Agip to set up oil production ventures abroad.

The 45 per cent state-owned company has announced plans to sell more shares for cash at investment tenders later this year. Foreign investors can hold no more than 15 per cent of shares in big Russian oil companies.

CSFB has already bought shares in over 30 Russian companies, bank officials say. They estimate that the bank has invested more than $800m in Russia's emerging equities and debt markets so far this year.

Desjardins Laurentian in profit

By Robert Gibbens in Montreal

Desjardins Laurentian Financial, the financial services group controlled by the Desjardins credit union movement, reported first-quarter profits of C$9.2m (US$6.66m) or 18 cents a share, after a C$9.5m reorganisation charge, on revenues of C$983m.

It was the first reporting period since the December 1993 takeover of the Laurentian Group by Desjardins to form a financial services and banking group with corporate assets of C$55bn.

Desjardins Laurentian, with C$22bn assets, brings together life insurance, general insurance, trust operations, investment banking and consumer banking with subsidiaries in Canada, the US and Britain. It is 7.7 per cent held by La Victoire of France and its shares are publicly traded in Toronto and Montreal.

Imperial Life, one of its biggest units, earned C$59,000 in the first quarter after a C$2.5m special charge by its British subsidiary. This compares with C$5.6m a year earlier. Performance was also affected by the north American property market collapse, but overall Canadian and US operations were still profitable.

Desjardins Laurentian will set aside C$40m this year to cover reorganisation costs. "The full benefits will be felt in 1996," said Mr Humberto Santos, president.

Two life units may be merged but asset sales are unlikely, he added.

New role for Oporto SE

By Peter Wise in Lisbon

The Oporto Stock Exchange is to close on June 1 before reopening in January as a national futures and options market, officials said. The Lisbon Stock Exchange will take over all Portugal's spot market trading from the same date.

The decision follows a proposal made in February by Portugal's stock exchange commission (CMVM) to replace the spot market in Oporto with a derivatives exchange and develop a national spot market in Lisbon.

Oporto and Lisbon currently act as separate trading floors for a national spot market on which 118 shares and bonds are listed. A total of 12 shares and bonds listed only on Oporto's second market for smaller companies will be transferred to Lisbon.

The Lisbon stock exchange will pay Oporto Es2.4bn ($14m) over three years as compensation for the loss of the spot market. The CMVM proposal was made to end what it considers unnecessary rivalry between the two exchanges for the same small spot market.

Analysts said a futures and options market was needed to increase the liquidity and efficiency of Portugal's capital markets and improve conditions for corporate financing.

The measure follows the announcement of a radical reform package for the bond market which is due to take effect on June 23.

This announcement appears as a matter of record only

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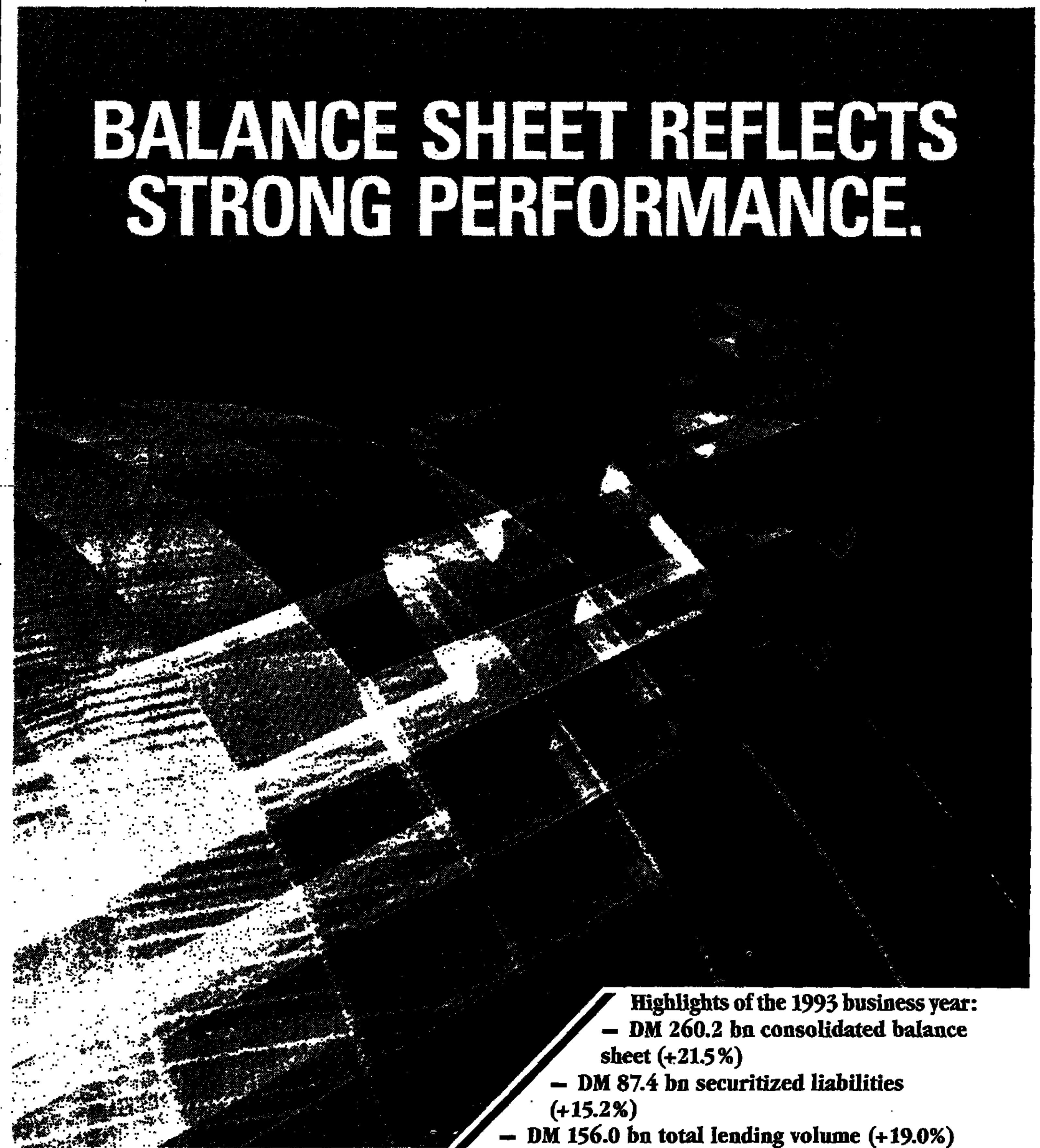
Société Générale

March 1994



Highlights of the 1993 business year:
– DM 260.2 bn consolidated balance sheet (+21.5%)
– DM 87.4 bn securitized liabilities (+15.2%)
– DM 156.0 bn total lending volume (+19.0%)
– DM 143.0 bn total deposits (+26.7%)
– DM 9.0 bn own funds (+58.4%)
– DM 214.5 m additions to reserves
– 7% dividend.

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Managementor.
FT Management Page published Monday to Friday.

SOLVAY

Société Anonyme
Registered Office: 33, rue du Prince Albert, Ixelles (Brussels)
Brussels Trade Register No. 5554

Since the quorum required by law was not reached at the Extraordinary General Meeting of 17th May 1994, that meeting was not in a position to pass the resolutions put on its agenda. As a result, a new Extraordinary General Meeting shall be convened, which shall pass the relevant resolutions irrespective of the number of shares represented. It will be held immediately prior to the Ordinary General Meeting of 6th June 1994.

Shareholders are hereby invited to attend:

1. The second Extraordinary General Meeting which will be held on Monday 6th June 1994 at 9.30 a.m., 44, rue du Prince Albert at Ixelles (Brussels) to transact the following business:

Agenda

I. Special reports:
1. from the Board of Directors and the External Auditor in accordance with article 60 of the Belgian Company Law.
2. from the Board of Directors on the following proposed alterations to the articles of association.

II. Alterations to the following provisions of the articles of association:
1. Composition of the Executive Committee (article 19)
2. Other alterations to the articles of association: Legal status of type C shares (articles 7 and 9), authorized capital (article 10bis), appointment of Directors (article 15), Board deliberation (article 21), attendance at general meetings (articles 34, 37 and 38).

2. The Ordinary General Meeting which be held on Monday 6th June 1994, following the close of the Extraordinary General Meeting, to transact the following business:

Agenda

1. Reports of the Board of Directors on the operations of the financial year 1993, reports of the External Auditor.
2. Approval of the Annual Accounts for the financial year 1993 - Distribution of net earnings and declaration of dividend.
3. Discharge to be given to the Directors and to the External Auditor for their acts during the financial year.
4. Board of Directors:
   a. Decrease in the number of Directors from sixteen to fifteen.
   b. Appointment of three Directors to replace Messrs. Claude Loutrel, Jean-Jacques Van de Berg and André Ganshof van der Meersch, who terminate their term of office and, being eligible, have offered themselves for re-election for a new term of six years.
5. External Auditor: Appointment of a substitute External Auditor to replace Mr. Dirk Smets, who has decided not to apply for re-appointment.
6. Other business.

The Board of Directors hereby informs the holders of bearer shares that the following formalities must be observed in order to attend these meetings.

- They are asked to lodge their shares temporarily and to have them deposited at the Registered Office of our company or at J. Henry Schroder Wagg & Co Ltd., by Friday 3rd June 1994 at the latest.

  The bank mentioned above is authorized to designate other establishments where Solvay shares may also be lodged validly. The list of these establishments will be published in due time through the bank.
- Proxies must reach our Registered Office by Friday 3rd June 1994 at the latest.

It is recalled that, in conformity with Article 78 of the Belgian Company Law, any shareholder is entitled to obtain free of charge, on production of his share, a copy of the annual accounts, of the reports of the Board of Directors and of the External Auditor.

The special report from the Board of Directors, referred to in item I.2 of the agenda for the Extraordinary General Meeting, is available at our Registered Office and at the bank named above for the lodging of shares. Persons, who will provide evidence of their capacity of holders of bearer shares, will thus be entitled to examine the report and ask for a free copy.

Debenture holders, wishing to attend these meetings, are asked to comply with the same formalities as those imposed on shareholders.

The Board of Directors

Rothmans registers A$60.9m capital return

By Bruce Jacques in Sydney

Rothmans Holdings, the Australian cigarette group 50 per cent owned by Rothmans International, announced a A$60.9m (US$44.3m) capital return following a rise in earnings for the year to last March.

Net profit jumped 82 per cent to A$73.7m from A$40.5m on a 5 per cent sales rise to A$1.56bn from A$1.48bn, and the annual dividend is be raised to 40 cents a share from 33 cents.

The improved bottom line mainly reflected a clean slate on abnormals, following a A$29.9m abnormal loss the previous year. Profit before charges was almost static at A$132.3m.

The latest result excluded a A$12.6m extraordinary loss on withdrawal of operations from the Philippines.

Directors said the decision to make a capital return, which will halve the par value of the company's shares to 50 cents, reflected three main factors: the Philippines closure, high cash balances and low interest rates. Net cash held jumped by A$67m to A$186.5m in the year.

Directors said future earnings would not be affected by the capital return. But earnings would be boosted following removal of the Philippines operations, which lost A$18.1m in the latest year, compared to an A$32.5m loss previously. The company would continue its concentration on operating efficiencies to help offset new tobacco marketing restrictions.

The result followed tax provision of A$54.8m (A$53.5m previously) and depreciation A$29.5m (A$30.9m). Interest expense fell from A$11.9m to A$4.5m.

Billion-dollar changes for YPF

The oil group is undergoing a transformation, writes John Barham

YPF, Argentina's privatised oil company, is to transform its domestic operations and back a cautious expansion into neighbouring markets with a $100m a month investment programme.

The expansion of exploration and production and the revamping of its retail business is the company's largest investment programme, and the most evident sign of YPF's transformation from a corrupt, money-losing state corporation to a profit-oriented, private company.

Mr Jose Estenssoro, YPF's president, says he now has "one firm commitment: profits. Our investors have become the most important part of our corporate life".

He claims YPF's investment plans are proof that this is no cheap corporate hype. More than $1bn is budgeted for next year and a further $1bn in 1996.

Argentina's biggest company is now 20 per cent owned by the federal government, with the rest held by the employees and provincial governments. The government, which once owned the company outright, sold 45 per cent last June in a $3.04bn local and international initial public offering.

Last year, YPF raised profits 176 per cent to $706m, despite lower oil prices and an increase of just 2 per cent in sales to $3.96bn. However, profits and revenues both declined in the first quarter as oil prices continued falling.

YPF is to sink 720 new production wells this year, at a cost of $700m. Mr Estenssoro wants to raise output by one-fifth to 450,000 barrels per day by the end of 1995, and then maintain production at this level. "Argentina's wells are small producers, so [we need to do] a lot of drilling," he says.

Mr Estenssoro wants to maintain YPF's oil reserves at the equivalent of 10 years' production through a big exploration effort. This year YPF is spending $300m to drill 180 exploration wells as part of a $3bn, 10-year exploration programme.

Raising output at YPF means increasing drilling substantially

Argentina is self-sufficient in oil, although it does not come close the volumes of Mexico or Venezuela, Latin America's big oil producers. But it does have considerable potential: Mr Estenssoro says only five of its 19 identified oil-bearing basins have been explored and are in production.

The country does have much more natural gas than oil. YPF and joint-venture partners Ampolex of Australia and Petrobras of Brazil are investing $250m over four years to explore a potentially giant gas field in north western Argentina.

Mr Estenssoro is spending a further $250m this year to upgrade YPF's downstream business, where profitability is low. In August 1990, when he took over at YPF, the downstream business lost $400m. It is now returning 5 per cent on assets, and Mr Estenssoro wants to double profitability by next year. In comparison, the upstream production business returns about 30 per cent a year.

YPF has also started a $500m, five-year project to bring its operations – particularly its refineries – into line with world environmental standards.

Finally, YPF is spending $300m between 1993-96 to renovate its retail network. The company has 2,800 petrol stations, many more than its competitors, but its stations are a byword for bad service.

YPF is financing the investment programme with a mix of bank borrowing, retained earnings and overseas bond sales. Mr Estenssoro announced earlier this year a $350m Yankee bond issue and a $500m medium-term note issue.

Analysts praise the company for reducing production and administrative costs to compensate for falling oil prices. Some, however, criticise Mr Estenssoro for not hedging oil prices and thus exposing YPF's growing exports to dwindling prices.

Mr Estenssoro has continued cutting the work force – which stood at 51,000 when he took over and now numbers only 6,500 – leading to growing criticism from the unions. However, many former employees still work for the company as subcontractors, often on excessively generous terms, say some analysts.

Competitors and economists also complain that YPF abuses its dominant market position. It produces over half Argentina's oil, has over half its refinery capacity and controls half the retail market.

Mr Estenssoro rejects accusations that YPF plays dirty. "The market works, it is very competitive and if YPF did not exist, or was not as big as it is, its market would be split among the multinationals," he says.

YPF, which has always focused on its domestic market, is gradually expanding into neighbouring countries. It has just opened a 270-mile pipeline over the Andes to Chile, allowing it to raise exports by $300m a year.

Mr Estenssoro says: "We are looking to our neighbours as a natural place to expand." He has started small exploration projects in Bolivia, Uruguay and Paraguay and is negotiating exploration contracts in Chile and Peru. YPF may bid for the Peruvian and Bolivian state oil companies when they are offered for privatisation.

It seems appropriate that YPF, the world's first state oil company and Latin America's first privatised oil company, should make a stab at becoming the region's first private oil multinational.

Barlow posts 6% rise to R273m

By Mark Suzman in Johannesburg

Barlow, the South African conglomerate formed last year after the restructuring of South Africa's Barlow Rand group, reported a 6 per cent rise in operating profit before interest to R273m ($74m), from a pro forma total of R256m for the same period last year.

After-tax profit, which includes R23m abnormal profit from the sale of the group's investment in Randgold and Exploration and R68m in investment income, rose 40 per cent to R194m from R139m.

However, this did not include an extraordinary loss of R62m resulting largely from the sale of the agricultural interests of lossmaking subsidiary Finanzauto, the Spanish Caterpillar dealer, for R189m, which was taken below the line in accordance with the company's accounting procedure.

The higher overall earnings were the result of improved operating margins and the group's strong cash position, which helped reduce the interest bill by 36 per cent to R63m, while increasing investment income by 30 per cent.

Turnover, which was distorted by some asset sales during the six months, rose 5 per cent to R6.13bn from R5.86bn and a dividend of 18 cents was declared.

Mr Warren Clewlow, chairman, said that it was Barlow's aim to have three times cover for its future dividends.

As expected, the largest contributor to earnings was Pretoria Portland Cement, which was responsible for 37 per cent of taxed profit. Other companies in the industrial division, encompassing Barlow's wholly-owned subsidiaries, also performed well. Paint manufacturer Plascon and Barlows Equipment, which benefited from improved mine and construction demand for machinery, both showed strong growth.

Barlow said second-half results were likely to be "at least equal" to those for the first six months. In the longer term Mr Clewlow was confident the South African economy had begun to improve and that the company would be able to take particular advantage of the new government's planned reconstruction and development programme.

"Barlow is well positioned to meet the demand expected," Mr Clewlow said.

NEWS DIGEST

Shinawatra posts sharp rise at Bt712m

Shinawatra Computer and Communications, the parent company of the Thai communications and broadcasting group controlled by Mr Thaksin Shinawatra, yesterday reported sharply higher net profits for the first quarter of the current year, writes William Barnes in Bangkok.

Unconsolidated net profits were Bt712.6m ($28.29m) in the three months to end-March, compared with Bt276.4m a year earlier. Earnings per share rose to Bt7.29 from Bt3.94. Consolidated profits for the quarter were Bt722m; no comparable figure was provided for last year.

The sale of a 17.5 per cent stake in International Engineering to its communications rival UCOM produced profits of Bt290m.

Shinawatra's profits were also lifted by a successful promotional campaign by its 60 per cent-owned subsidiary, Advanced Info Services, which already accounts for half the country's lucrative portable telephone and pager market. Advanced's consolidated quarterly profits climbed 150 per cent to Bt383.72m from Bt153m a year ago.

Investment analysts generally think that Mr Thaksin's decision to step back from operational control of his businesses recently to enter politics has had little effect on the direction of the ambitious group because "he's essentially still in charge".

Brokers generally reckon that the Shinawatra parent company will report profits of around Bt1.8bn this year.

Indian power generator ahead

CESC, the RP Goenka group company with exclusive power generation and distribution rights for the city of Calcutta, reported a 73 per cent increase in net profits to Rs423m ($13.77m) for the year to March 31 after a strong second half, writes Kunal Bose in Calcutta.

The utility, which raised power generation by 5 per cent to 4.2bn units during the year, recorded a 16.4 per cent increase in sales to Rs8.42bn.

Earnings per share rose by nearly 72 per cent to Rs14.09.

CESC had recently made a successful issue of global depository receipts represented by shares and warrants of $125m.

The proceeds of the issue will be utilised to part finance the 500 MW coal-fired power complex being set up by CESC at Budge Budge, 25km from Calcutta

SNC-Lavalin sale

SNC-Lavalin, Canada's biggest engineering and construction group, has sold Ginge-Kerr, the fire protection equipment maker, to Unitor of Norway, the leading marine service company writes Robert Gibbens in Montreal.

The price of the deal was not disclosed.

Ginge-Kerr operates subsidiaries in Britain, Norway and Denmark, and had 1993 sales of C$26m (US$18.8m).

This announcement appears as a matter of record only.

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The determination and publication of these figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund Investments.

Valuation Agent
Giro Credit Bank Aktiengesellschaft der Sparkassen, London Branch

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Interest Rate	5⅜% per annum
Interest Period	24th May 1994 24th August 1994
Interest Amount per U.S. $50,000 Note due 24th August 1994	U.S. $670.83

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Russia

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Interest Amount per U.S. $50,000 Note due 24th August 1994	U.S. $638.89

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Komatsu plunges 55% in worst showing for decade

By Gerard Baker in Tokyo

Sluggish growth worldwide saw a slump in consolidated profits at Komatsu, the world's second largest manufacturer of construction machinery, in the year to the end of March.

The group's pre-tax profits fell by 55 per cent to Y13.9bn ($132.38m), the worst performance in a decade. Turnover was down by 2.8 per cent at Y845.9bn. The parent company's profits dropped by 28 per cent at Y15.8bn on sales lower by 4.6 per cent.

The company said the year had been marked by a continued sharp decline in domestic demand for building equipment, its principal activity, as private sector investment remained flat. Despite the growth in new public works projects, a full recovery in public sector demand had been held back by start-up delays. Domestic sales overall declined by 1.8 per cent.

Overseas, sales to the US and south-east Asia were buoyant, despite the sharp appreciation in the yen. But in the already weakened European markets, the strong currency had significantly affected demand and total overseas sales fell by 3.1 per cent.

Non-core activities produced mixed results. Civil engineering contracts were up slightly on 1993 and sales of electronics products rose almost 7 per cent. But industrial machinery sales, buffeted by weak domestic demand and the strong yen, fell 22 per cent.

The company reaffirmed its commitment to long-term growth on a global scale. For Komatsu, as for many other Japanese manufacturers, this means a significant reorganisation of its global operations to help it reduce the adverse impact of the strong currency.

The group is now accelerating the shift of some manufacturing plants abroad and increasing overseas out-sourcing of its domestic activities.

Komatsu said that it expected the effects of the restructuring combined with gradual recovery in its major markets to produce a recovery in the next year.

Double listing lifts Kyocera results

By Emiko Terazono in Tokyo

Kyocera, the Japanese manufacturer of ceramic semiconductor components, posted a sharp rise in consolidated profits due to the listing of two subsidiaries, DDI, the telecommunications company, and Taito, the video games maker.

The company saw a 39 per cent rise in group pre-tax profits to Y68.4bn ($651.42m) for the year to last March due to profits of Y14.3bn from the two companies' listing and Y7.5bn from share sales.

However, cost-cutting helped the mainline business and operating profits rose Y10.5 per cent on a 0.9 per cent decline in sales to Y427.7bn. After-tax profits rose 53.7 per cent to Y36.8bn.

Earnings of its ceramic semiconductor parts division rose 9.9 per cent to Y44.7bn, but electronic equipment profits fell 22.1 per cent to Y3.4bn. The optical precision equipment division returned to the black, with earnings of Y2.4bn against a loss of Y673m a year earlier.

On a non-consolidated basis, Kyocera posted a 7.8 per cent fall in pre-tax profits to Y35.1bn due to a fall in interest income. Sales were flat at Y300.6bn but after-tax profits rose 10 per cent thanks to income from share sales.

For the current year to next March, the company forecasts a 20 per cent unconsolidated pre-tax rise to Y42.1bn on a 8.9 per cent rise in sales to Y327.5bn.

Japanese real estate groups dip sharply at pre-tax level

By Paul Abrahams in Tokyo

Mitsubishi Estate, one of Japan's leading real estate groups, posted a 32.9 per cent fall in pre-tax profits to Y47.4bn ($451.42m), on turnover which increased by 26.1 per cent to Y440bn. Post-tax profits rose 3.4 per cent to Y88.3bn. The dividend was maintained at Y8 per share.

Brokers Baring Securities said the second half of the year had been much weaker for Mitsubishi than the first six months and that there was little sign of a turnaround. Mitsubishi predicted pre-tax profits for the current year down at Y35bn on sales of Y420bn, below analysts expectations.

Mitsui Fudasan, Japan's biggest real estate developer, reported pre-tax profits down 36.2 per cent at Y16.4bn, on turnover down 5.2 per cent at Y795bn. The company said it would maintain the dividend at Y9 per share, even though the business outlook looked severe, with the possibility of higher interest rates and over-supply in the condominiums market. It predicted pre-tax profits would fall to Y12bn during the year to March 31 1995 on sales of Y730bn.

Tokyu Land, the property developer, posted pre-tax profits down 16.6 per cent at Y5.5bn, following a collapse of its building leasing operations, according to the company. This was the third year profits had fallen, said Mr Kyuichiro Kinoshita, vice-president. The group also sustained losses on its golf course and leisure activities, together with a sharp decline in foreign exchange profits, he said. Turnover increased 3.5 per cent to Y266bn. The dividend was maintained at Y5 per share.

The group warned margins would come under pressure during the present financial year because of competition in the housing market and a deterioration in the building leasing business. The company said it would sell a building in Shibuya, Tokyo for Y10bn to its do-it-yourself subsidiary Tokyu Hands.

Pre-tax profits would fall to Y5.3bn on sales of Y280bn during the current year, the group predicted.

Toyota tops corporate earners

By Michiyo Nakamoto in Tokyo

Toyota Motor has emerged as Japan's number one corporate earner last year for the first time in three years, according to a report by Teikoku Data Bank, a private research company.

Toyota was followed by Sanwa Bank and NTT, the telecommunications company, for the calendar year 1993. Declared earnings are based on after-tax profits adjusted to meet tax regulations.

Toyota's return to the top spot came in spite of a 27 per cent fall in declared earnings for the car company last year to Y296bn ($2,819m). "We did not have a particularly good year. But other companies suffered even more," Toyota commented.

The earnings league table compiled by Teikoku Data Bank shows that the fortunes of companies within the same industries were widely divergent last year.

Sanwa Bank, for example, climbed to second position from sixth place in 1992 while Mitsubishi Bank rose to seventh place from tenth last year. Sanwa declared earnings last year of Y262bn which was 19.5 per cent up on 1992.

However, three other banks – Sumitomo, Daiichi Kangyo and Tokai – which had been among the top 10 in 1992, tumbled below the tenth spot, leaving Sanwa, Mitsubishi and Fuji Bank, at ninth place.

Likewise, in the car sector, Toyota may have regained its top status but Nissan, which reported a pre-tax loss of Y26.2bn last year, was not even in the running while Honda fell from 53rd to 89th place.

Among notable changes in the rankings, Mitsubishi Heavy Industries emerged in fifth place, returning to the top 10 for the first time in 19 years. The shipbuilding and heavy machinery company saw a firm rise in earnings due to strong demand for its motors and ships.

Nintendo, the video games maker, rose to number six from 12th place in 1992 while Matsushita, under pressure from a slump in the consumer electronics market, fell from seventh to 11th place.

State Bank of NSW back in the black

By Bruce Jacques in Sydney

State Bank of New South Wales, the regional Australian bank, returned to the black in the six months to March after large reductions in doubtful debt charges and abnormals.

The bank, owned by the New South Wales government but earmarked for sale to the private sector later this year, turned a A$89.6m (US$64.4m) loss into a A$19.7m net profit on static operating income of A$314.8m.

Before taxes and charges, earnings eased 9 per cent from A$89.5m to A$81.7m. Doubtful debt charges fell 53 per cent from A$109.8m to A$57.7m and total problem loans were down 19.4 per cent from A$1.2bn to A$964.2m.

Tax took A$10.3m against a A$26.6m credit previously.

The New South Wales government said recently that only one contender, believed to be Colonial Mutual, the Australian investment group, remained interested in buying the bank. Sale legislation is scheduled for this September.

Share sale lifts Ayala 90% in first quarter

By Jose Galang in Manila

Ayala, the property-based Philippine conglomerate, has reported consolidated net profits for this year's first quarter of 752.6m pesos, an increase of 90 per cent on the year-ago figure.

One-time gains, mostly from sales of some holdings in property affiliate Ayala Land, were behind much of the profits rise, said Mr Jaime Zobel de Ayala, company chairman and president. The shares sale, according to Mr Zobel, followed strong demand for an offering made by the property-development subsidiary at an international roadshow this year.

Heineken venture shows NZ$98m nine-month loss

By Terry Hall in Wellington

DB Group, the New Zealand concern controlled by a joint venture of Heineken and Singapore Breweries, yesterday reported a loss of NZ$98.1m (US$57.57m) after abnormals for the nine months to March 31. This included a loss on the sale of Australian pub chain Austotel of NZ$86.7m.

Austotel, which was sold to Brierley Investments, was part of a deal which saw Brierley sell its 27 per cent shareholding in DB Group to Asia Pacific Breweries, the holding company for Heineken of the Netherlands and Singapore Breweries.

DB Group is now managed by Heineken.

DB Group reported operating profits before abnormals 24 per cent higher at NZ$17.3m over the year-ago figure. Sales fell 5 per cent to NZ$559.8m.

Directors said after the sale of Austotel and various New Zealand hotels and taverns, net debt fell from NZ$158.9m to NZ$29.4m at March 31.

In addition the directors had provided a further NZ$23.4m for costs involved in quitting other hotels and liquor outlets. They said they remained convinced that the strategy of selling non-performing assets was "the proper approach" to take.

They planned to sell all company-owned hotels by December 31.

No dividend is planned.

Property sell-off

CSR, the Australian sugar and building products group, has announced plans to sell 31 surplus properties with an estimated value of more than A$50m (US$35.9m) through a sealed bid tender process, writes Bruce Jacques.

CSR directors said the properties, to be sold through Kennedy-Wilson International, ranged from A$100,000 for a small light industrial development in South Australia to more than A$20m for a large site in Coomera, Queensland.

All of these securities having been sold, this advertisement appears as a matter of record only.

$500,000,000

Transamerica Finance Corporation

$300,000,000

6.80% Senior Notes due March 15, 1999

$200,000,000

7.50% Senior Notes due March 15, 2004

Goldman, Sachs & Co.

Morgan Stanley & Co. Incorporated

May 1994

Transamerica Corporation

has acquired

the assets of the Container Division of Tiphook plc

from

Tiphook plc

The undersigned acted as financial advisor to Transamerica Corporation in this transaction.

Goldman, Sachs & Co.

Goldman Sachs

New York London Tokyo

Beijing Boston Chicago Dallas Frankfurt Hong Kong Houston

Los Angeles Memphis Miami Milan Montreal Moscow Osaka Paris

Philadelphia San Francisco Singapore Sydney Toronto Vancouver Zurich

May 1994

MEDIOBANCA

BANCA DI CREDITO FINANZIARIO S.p.A.

HEAD OFFICE, VIA FILODRAMMATICI 10, MILAN, ITALY

PAID-UP SHARE CAPITAL: LIT. 476 BILLION; RESERVES: LIT. 3,153.7 BILLION

Notice of Ordinary and Extraordinary General Meeting

Notice is hereby given that an Ordinary and Extraordinary General Meeting of Mediobanca will be held at the Company's Head Office in via Filodrammatici 10, Milan, Italy, at 10.00 a.m. on 13th June 1994 in the first instance, and any adjournment thereto at the same time and place on 14th June 1994, to transact the following business:

Ordinary Business

Election of Directors.

Extraordinary Business

1) *Proposal to increase the Company's share capital with rights to be waived under the fifth paragraph of Article 2441 of the Italian Civil Code, as follows:*
   a) *from Lit. 476 billion to Lit. 576 billion by issuing 100 million new shares with warrants (the "Warrants") at a price of not less than Lit. 15,000 per share;*
   b) *from Lit. 576 billion to up to Lit. 586 billion by issuing further new shares at a price of not less than Lit. 15,500 per share to be reserved for holders of the Warrants upon exercising the Warrants.*

2) *Proposal to amend Article 4 of the Bank's Articles of Association to such effect.*

Under Article 8 of Mediobanca's Articles of Association, shareholders who have at least five days prior to 13th June 1994 lodged their shares at the Company's Head Office or at any Branch Office of Banca Commerciale Italiana, Banca di Roma, Credito Italiano or at Monte Titoli S.p.A. (in the case of shares managed by it) shall be entitled to attend the meeting on presentation of an admission ticket.

p.p. the Board of Directors
the Managing Director

Christiania Bank og Kreditkasse

(Incorporated in the Kingdom of Norway with limited liability)

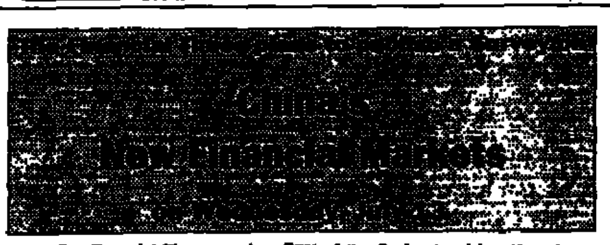
U.S.$100,000,000

Floating Rate Senior Notes Due May 1995

(of which U.S.$75,000,000 has been issued as Initial Tranches)

Notice is hereby given that the Rate of Interest has been fixed at 10.5% and that the interest payable on the relevant Interest Payment Date November 25, 1994 against Coupon No. 19 in respect of US$10,000 nominal of the Notes will be US$539.58 and in respect of US$250,000 nominal of the Notes will be US$13,489.58.

May 24, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK



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FT Surveys

* Source: Professional Investment Community Worldwide 1993-4

U.S. $10,000,000

The Chase Manhattan Corporation

Floating Rate Oil-Linked Notes due 1994

For the final interest period from May 24, 1994 to November 25, 1994 the interest rate has been determined at 5.875% per annum. The amount payable on the relevant interest payment date, November 25, 1994, will be U.S. $301.91 per U.S. $10,000 principal amount.

By: The Chase Manhattan Bank, N.A. Calculation Agent

May 24, 1994 CHASE

Fiduciary issue by Kredietbank S.A. Luxembourgeoise to fund a loan to be made by it to

Istituto per lo Sviluppo Economico dell'Italia Meridionale

ECU 100,000,000

Floating Rate Notes Due 1995

Interest Rate	6.0875%
Interest Period	24th May 1994 24th November 1994
Interest Amount per ECU 100,000 Note due 24th November 1994	ECU 3,111.38

CS First Boston Agent

Union Bank of Switzerland Finance N.V.

U.S. $150,000,000

Guaranteed Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period beginning 22nd August, 1994 has been fixed at 5.625% per annum.

Union Bank of Switzerland London Branch Agent Bank

18th May, 1994

US WEST

Liquid Yield Option Notes™ Due 2011

- Notice of Purchase Date -
- Securities to be Purchased at the Option of the Holder -

Pursuant to the terms of an Indenture dated as of June 1, 1991 between U S WEST, Inc. (the "Company") and Norwest Bank Minnesota, National Association, as Trustee, the Company hereby gives notice that, at the option of any Holder, the Company will purchase its Liquid Yield Option Notes™ due 2011 (the "Securities") held by such Holder as of June 25, 1994 at a price of $295.84 for each $1,000 Principal Amount of Securities at Maturity. A Holder intending to have the Company purchase Securities must complete and deliver a **Purchase Notice Form** to a Paying Agent/Conversion Agent, at one of the addresses listed below, no later than **June 27, 1994.** A Purchase Notice Form must include (1) the certificate number(s) of the Securities which the Holder will deliver to be purchased, (2) the portion of the Principal Amount at Maturity of the Securities which the Holder will deliver to be purchased, which portion must be $1,000 or an integral multiple thereof, and (3) a statement that such Securities shall be purchased pursuant to the terms and conditions specified in paragraph 6 of the Securities. A Paying Agent/Conversion Agent will provide a Purchase Notice Form to any Holder upon request. A Holder must surrender Securities to a Paying Agent/Conversion Agent listed below in order to collect payment. The purchase price for any Securities as to which a Purchase Notice Form has been delivered to a Paying Agent/Conversion Agent and not withdrawn will be paid to the applicable Holder on the business day following the later of June 25, 1994 or the date on which the Holder surrenders the Securities to a Paying Agent/Conversion Agent. For purposes hereof, "business day" means each day of the year on which banking institutions are not required or authorized to close where the applicable Paying Agent/Conversion Agent is located.

Paying Agents/Conversion Agents:

Barclays Bank Plc
BGSS Depository Services
168 Fenchurch Street
London, EC3P 3HP

Banque Internationale à Luxembourg S.A.
69, Route d'Esch
L-2953 Luxembourg

The Securities are convertible into shares of Company common stock at a conversion rate of 6.14 shares per $1,000 Principal Amount at Maturity. Securities as to which a Purchase Notice Form has been delivered to a Paying Agent/Conversion Agent may be converted only if the applicable Purchase Notice Form is withdrawn in accordance with the terms of the Indenture.

A Holder who delivers a Purchase Notice Form and surrenders applicable Securities to a Paying Agent/Conversion Agent shall be entitled to payment for such Securities as described above, and such payment shall be made in immediately available funds by certified or bank cashier's check or wire transfer. Securities so surrendered to the Paying Agent/Conversion Agent must conform in all respects to the description thereof in the related Purchase Notice Form.

A Purchase Notice Form may be withdrawn by means of a written notice of withdrawal delivered to the Paying Agent/Conversion Agent to which such Purchase Notice Form was delivered in accordance with the terms of the indenture at any time prior to June 25, 1994. Any such notice of withdrawal should specify: (1) the certificate number(s) of the Securities in respect of which such notice of withdrawal is being submitted, (2) the Principal Amount at Maturity of the Securities with respect to which such notice of withdrawal is being submitted, and (3) the Principal Amount at Maturity, if any, of such Securities which remains subject to the original Purchase Notice Form, which must be in $1,000 or integral multiples thereof and which has been or will be delivered for purchase by the Company.

J.T. Anderson
Treasurer

May 24, 1994

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Heavy selling after German rate comments

By Conner Middelmann and Graham Bowley in London and Frank McGurty in New York

European government bonds fell sharply on wire reports of comments made by Bundesbank President Hans Tietmeyer, which were taken to mean that there would be no more official German interest rate cuts in the near future.

Although most continental European markets were closed for Whit Monday, London-traded futures contracts fell steeply – albeit on thin volume. Weaker US Treasuries put a further damper on European bond markets.

According to one news agency, Tietmeyer told a press conference in Helsinki that "we are not following a step-by-step cut in interest rates for the time being". He was also reported as saying that signs are increasing that the western German recession has come to an end and the economic recovery has begun.

This triggered heavy London selling across the German yield curve. At the short end, the March three-money interest rate future slid by 0.30 point to 94.51, implying three-month rates of 5.49 per cent by mid-March, well above the current 5.13 per cent three-month D-Mark deposit rate. At the long end, the June Bund future fell by 0.96 point to 94.50.

"The short end has over-reacted," said Mr John Hall, European economist at Swiss Bank Corp. "Even if official rates are not cut soon, this still leaves room for the repo rate to fall." That currently stands at 5.23 per cent, still well above the 4.5 per cent discount rate which acts as a floor to money market rates.

He still expects another discount rate cut, but even if that does not happen, the Bundesbank "can still lower the repo rate to around 4.75 per cent" before the end of the cycle.

All eyes are now on tomorrow's repo allocation. "People will watch it for an indication of where German monetary policy is going," said Mr Torsten Böhler, bond analyst at UBS. A small cut could reinforce fears that the easing cycle is coming to an end, he said.

Bad M3 money supply numbers could prompt further selling, he said. Although a figure close to last month's 15.4 per cent rate appears to be discounted, it could reinforce the market's negative sentiment, traders said.

GOVERNMENT BONDS

■ Europe's few other active markets also took a blow from the German sell-off. UK government bonds fell sharply, also depressed by concern over the inflationary impact of rising commodity prices. In late trading, the UK long gilt future was down almost one point at 105$\frac{1}{8}$.

Analysts said the most important event for gilts this week is likely to be Wednesday's auction by the Bank of England of the new convertible gilt. They said interest for the new bond was growing as investors begin to take up more of a defensive position after the recent rally in gilts, which was particularly marked at the long end, by switching from longer to shorter-dated bonds.

■ Italian bonds posted particularly large losses, with the June bond future on Liffe falling by 1.40 point to 111.22. Spanish bonds outperformed them significantly, with the June contract shedding only 0.64 point on the day to close at 96.77.

■ US Treasury bonds retreated in light trading yesterday morning as traders adjusted their positions ahead of this week's auctions.

By 1pm, the benchmark 30-year government bond was $\frac{9}{32}$ lower at 86$\frac{7}{32}$, with the yield rising to 7.381 per cent. At the short end, the two-year note was down $\frac{1}{32}$ to 99$\frac{9}{32}$, to yield 5.862 per cent.

With no fresh economic news released, the market was focusing on the Treasury's sale this afternoon of $17bn in new two-year notes, followed by the issuance of $11bn in five-year securities tomorrow. The last Treasury auctions had generated disappointing demand, and many traders were seeking to protect against the possibility of continued difficulty in absorbing the fresh supply.

Meanwhile, concern over a weak dollar receded. The US currency was holding steady against the D-Mark and the yen, amid guarded optimism over progress in US trade negotiations with Japan. By contrast, commodity prices were showing another sharp rise on the day, in keeping with a recent trend that has unsettled the inflation-sensitive long bond.

The next significant economic news is due out tomorrow. The Commerce Department will announce April data on durable goods orders, with the market bracing for a 1 per cent increase, following a March rise of 0.8 per cent.

Quiet eurobond day puts focus on future issues

By Peter John

Only a smattering of new issues emerged in the eurobond market yesterday as continental markets were closed, and attention was focused on forthcoming offerings.

INTERNATIONAL BONDS

Among yesterday's issues, Long Term Credit Bank of Japan raised $75m through a three-tranche offering of 10-year floating rates while Finnish Export Credit raised Y5bn of three-year paper.

However, market talk centred on a mooted launch from Canada Mortgage and Housing Corp (CMHC). Syndicate managers said the government-owned issuer was likely to offer around $1bn of d^bt.

The move was flagged when CMHC last came to the market in November to raise $1bn through five-year global bonds yielding 15 basis points over Canadian government bonds. It said then that the offering was designed to establish a benchmark for its initiative to lend to social housing and that it planned to raise C$2bn a year over the next five years.

There was also speculation that KfW, Germany's reconstruction bank, was considering a $300m dragon bond. In addition, the placing by the Taiwanese company, UMC, of a $160m convertible eurobond offering on Friday – which was oversubscribed and trading at 104 yesterday against an issue price of par – raised speculation that it would pave the way for a $900m to $1bn offering from Formosa Plastics.

Nevertheless, dealers said the performance of recent issues showed the market was vulnerable. They reported the yield spread on the Kingdom of Spain's FFr6bn issue of seven-year eurobonds had widened to 30 basis points yesterday from 24 basis points at the launch on Friday, and the Republic of Finland's FFr10bn of 10-year debt launched a week ago was yielding 36 basis points against a launch spread of 32.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
LTCB(a)‡	50	(a)	101.6	Jun.2004	2	-	LTCB Intl.
LTCB(b)‡	10	(b)	101.6	Jun.2004	2	-	LTCB Intl.
LTCB(c)‡	15	(c)	101.6	Jun.2004	2	-	LTCB Intl.
YEN							
Finnish Export Credit(d)	5bn	(d)	100	Jun.1997	undiscl.	-	Morgan Stanley

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ☆Private placement. §Convertible. ¢With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Tranche A. Callable on 15.6.98 at par. 6-month Libor + 0.50% until 15.6.98 and fixed 9% thereafter. b) Tranche B. Callable on 15.6.99 at par. 6-month Libor + 0.50% until 15.6.99, fixed 9.5% thereafter. c) Tranche C. Callable on 15.6.97 at par. 6-month Libor + 0.40% until 15.6.97, fixed 9.5% thereafter. d) Callable on 20.6.95 & 20.6.96 at par. 2.7% from 20.6.94 to 20.6.95. 2.9% from 20.6.95 to 20.6.96. 3.2% from 20.6.96 to 20.6.97.

Premier $500m deal for Hellenic Republic

By Conner Middelmann

Greece is returning to the syndicated loans market for the first time in four years with a $500m syndicated loan - the country's first under its new sovereign name, the Hellenic Republic.

Although Greece is still discussing the terms with a number of banks, early indications point to a five-year deal with a three-year grace period, at a price of around 110 to 112 basis points above the London interbank offered rate (Libor).

Senior Greek officials are in London this week to discuss the loan, details of which are expected to be announced within the next week. The deal should be launched in June.

Mitsubishi Bank and NatWest are tipped as the arrangers. The underwriting group is likely to include 10 to 15 banks, with each expected to take on an underwriting commitment of up to $50m.

Despite the economic problems currently plaguing Greece, it should still be able to take advantage of the narrowing of spreads in the syndicated loans market.

"Many banks are now hungry for zero-weighted assets – this represents a good source of funding for us," said Mr Spyros Papanicolaou, head of the international banking department at the Bank of Greece.

● Telecom Corporation of New Zealand is launching a $150m syndicated loan via arranger Lloyds Bank Capital Markets. The five-year deal pays a margin of 17.5 basis points over Libor, a facility fee of 12.5 basis points per annum and a five basis point utilisation fee where utilisation exceeds 50 per cent.

Low foreign take-up in Hungarian bond

By Nicholas Denton in Budapest

Foreign investors have taken up less than 1 per cent of eastern Europe's first domestic-currency state bond, a Hungarian government issue aimed at international institutions.

Three-year government bonds worth Ft15bn were put on sale but foreign buyers accounted for just Ft104m of demand. Total subscriptions amounted to Ft8.75bn, including applications by Hungarian state-owned institutions.

GiroCredit Budapest, the global adviser, said it expected foreign investors to enter the secondary market and maintained that the issue had successfully opened the international market in "paprika bonds".

Other brokers said that the issue had fallen woefully short of expectations and privately described the sale to foreigners as a "flop".

US investors in particular have been alarmed by the resurgence of the Hungarian Socialist Party, the former communists, and the prospect of their return to office after the second and decisive round of voting on Sunday.

At all events, the paprika bond's aggressive 25 per cent coupon has proved insufficient to offset fears of a devaluation by the next government.

Last year the National Bank of Hungary, the central bank which up to now has had sole responsibility for nearly all global borrowing, sold $4.5bn worth of bonds in dollars, D-marks, yen and other denominations to make Hungary one of the most active international sovereign borrowers.

The central bank opposed the issue of a forint bond saying that it would lead to currency speculation. Prior to this issue it blocked the issue of international certificates of the bond, insisting that trading take place in Hungary.

The National Bank also changed Hungary's currency basket, giving it a 70 per cent Ecu and 30 per cent dollar component and increased its repo interest rate. These moves were instrumental in upsetting investors' calculations, traders say.

Euroclear sets up Danish link

Growing international interest in Danish bonds and equities has prompted Euroclear, the international clearing and settlement house, to set up a direct link with Vaerdipapircentralen, Denmark's central securities depository and settlement system, writes Antonia Sharpe.

The link, which should improve efficiency in the settlement of cross-border trades in Danish securities, is expected to be operational in early July. It is the first step to a two-way exchange of data.

Enskilda in Asian venture

Enskilda Corporate, the merchant banking division of Sweden's Skandinaviska Enskilda Banken, has set up a partnership with Crosby Financial Holdings, an independent Asian merchant banking firm, to provide Asian investment advice and services in Sweden, Norway and Finland, writes Antonia Sharpe.

Under the arrangements, Enskilda will assume exclusive responsibility for distributing Crosby's equity research in Sweden, Norway and Finland.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	105.8200	-1.180	8.57	8.62	8.19
Belgium		7.250	04/04	-	-	-	7.41	7.59
Canada *		6.500	06/04	-	-	-	8.38	8.12
Denmark		7.000	12/04	-	-	-	7.26	7.38
France	BTAN	8.000	05/98	-	-	-	6.12	6.38
	OAT	5.500	04/04	-	-	-	6.86	6.96
Germany		6.750	05/04	-	-	-	6.58	6.63
Italy		8.500	01/04	95.2700	-0.730	9.25†	9.07	8.95
Japan	No 119	4.800	06/99	106.7580	+0.040	3.25	3.16	3.40
	No 157	4.500	06/03	105.0750	-0.220	3.75	3.95	3.98
Netherlands		5.750	01/04	-	-	-	6.58	6.61
Spain		10.500	10/03	106.5000	-0.050	9.41	9.51	9.36
UK Gilts		6.000	08/99	93-16	-10/32	7.53	7.62	7.61
		6.750	11/04	91-16	-23/32	7.96	8.03	7.83
		9.000	10/08	108-00	-25/32	8.05	8.15	7.96
US Treasury *		5.875	02/04	91-06	-22/32	7.16	7.24	6.93
		6.250	08/23	86-12	-26/32	7.39	7.44	7.22
ECU (French Govt)		6.000	04/04	91.9700	+0.030	7.16	7.24	7.38

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	3.92	Two year	5.81
Broker loan rate	5½	Two month	4.13	Three year	6.21
Fed.funds	4$\frac{7}{16}$	Three month	4.26	Five year	6.65
Fed.funds at intervention	-	Six month	4.75	10-year	7.09
		One year	5.16	30-year	7.38

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) May 20

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	122.38	121.58	-0.84	122.38	121.52	248,786	106,258
Sep	121.38	120.64	-0.82	121.38	120.66	12,018	21,584
Dec	120.40	119.72	-0.56	120.42	119.66	4,915	5,139

■ LONG TERM FRENCH BOND OPTIONS (MATIF) May 20

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
119	-	-	-	0.03	1.10	-
120	1.66	-	-	0.06	1.56	-
121	0.83	1.54	-	0.25	1.80	-
122	0.24	1.10	-	0.65	-	-
123	0.06	0.84	-	1.47	-	-

Est. vol. total, Calls 27,368 Puts 19,046 . Previous day's open int., Calls 512,307 Puts 359,845.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.30	94.68	-0.78	95.45	94.45	79405	163094
Sep	94.84	94.21	-0.79	94.94	94.21	2192	27080

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9450	0.18	0.72	1.01	1.25	0	1.01	1.30	1.54
9500	0	0.49	0.80	1.01	0.32	1.28	1.59	1.80
9550	0	0.32	0.62	0.79	0.82	1.61	1.91	2.08

Est. vol. total, Calls 12131 Puts 18100. Previous day's open int., Calls 335186 Puts 298196

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.04	99.60	-0.51	100.05	100.04	239	1320

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	112.58	111.52	-1.10	112.60	111.17	31617	60434
Sep	111.70	110.75	-1.09	111.70	110.77	657	11090

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
11050	2.24	3.28	1.99	3.03
11100	1.98	3.04	2.23	3.29
11150	1.74	2.81	2.49	3.56

Est. vol. total, Calls 2090 Puts 468. Previous day's open int., Calls 8405 Puts 5704

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	97.16	96.77	-0.64	97.27	96.75	30,262	118,597
Sep	96.70	96.10	-0.09	96.72	96.62	4,631	10,012

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	106-00	105-15	-0-22	106-05	105-02	47194	119613
Sep	105-01	104-14	-0-21	105-08	104-15	2508	2541

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
105	0-30	1-60	0	2-32
106	0	1-32	0-34	3-04
107	0	1-10	1-34	3-46

Est. vol. total, Calls 8494 Puts 7055. Previous day's open int., Calls 116846 Puts 79000

Ecu

■ ECU BOND FUTURES (MATIF) May 20

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	89.20	88.58	-0.56	89.20	88.54	960	10,558

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-30	104-16	-0-16	104-31	104-15	368,200	369,312
Sep	104-04	103-19	-0-16	104-04	103-18	11,187	90,590
Dec	103-06	102-30	-0-18	103-06	102-29	494	34,686

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	113.30	-	-	113.30	113.06	354	0
Sep	112.51	-	-	112.58	112.32	2067	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon May 23	Day's change %	Fri May 20	Accrued interest	xd adj. ytd		Low coupon yield May 23	May 20	Yr. ago	Medium coupon yield May 23	May 20	Yr. ago	High coupon yield May 23	May 20	Yr. ago
1 Up to 5 years (23)	123.68	-0.08	123.78	2.03	4.34	5 yrs	7.57	7.51	7.15	7.78	7.71	7.39	7.86	7.80	7.61
2 5-15 years (24)	145.19	-0.50	145.92	2.04	5.32	15 yrs	7.95	7.86	8.06	8.05	7.97	8.48	8.37	8.29	8.73
3 Over 15 years (9)	164.84	-0.66	165.92	2.92	4.06	20 yrs	7.95	7.86	8.28	8.05	7.97	8.58	8.21	8.15	8.76
4 Irredeemables (6)	187.82	-0.31	188.40	0.89	6.12	Irred.†	7.99	7.96	8.64						
5 All stocks (62)	142.45	-0.40	143.02	2.19	4.82										

Index-linked							Inflation 5% May 23	May 20	Yr. ago	Inflation 10% May 23	May 20	Yr. ago
6 Up to 5 years (2)	185.86	+0.01	185.84	0.70	2.53	Up to 5 yrs	3.56	3.55	3.01	2.54	2.53	2.24
7 Over 5 years (11)	177.49	-0.24	177.91	1.12	1.59	Over 5 yrs	3.63	3.61	3.57	3.44	3.42	3.38
8 All stocks (13)	177.47	-0.21	177.84	1.07	1.77							

Debentures and Loans						5 year yield May 23	May 20	Yr. ago	15 year yield May 23	May 20	Yr. ago	25 year yield May 23	May 20	Yr. ago
9 Debs & Loans (76)	133.29	-0.33	133.74	1.98	4.92	9.16	9.09	9.01	9.06	9.03	9.47	9.03	8.99	9.62

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	May 23	May 20	May 19	May 18	May 17	Yr ago	High*	Low*
Govt. Secs. (UK)	95.54	95.92	95.94	95.24	94.79	94.80	107.04	93.20
Fixed Interest	114.50	114.73	114.29	113.23	112.52	111.36	133.87	110.92

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 20	May 19	May 18	May 17	May 16
Gilt Edged bargains	97.7	111.4	109.0	95.4	90.2
5-day average	100.7	98.9	92.0	88.3	86.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92	92¼	-½	7.77
Alberta Province 9⅞ 95	600	104⅛	104⅜	-⅛	6.03
Austria 8½ 00	400	106	106¼	-⅛	7.16
Bank of Tokyo 8⅜ 96	100	103⅝	104		6.57
Belgium 9⅝ 98	250	109⅛	109½	-⅛	6.99
[illegible]					
United Kingdom 7¼ 97	5500	103¾	103⅞	-⅛	5.87
Volkswagen Intl Fin 7 03	1000	99⅞	100⅜	-⅛	7.02
World Bank 0 15	2000	24⅝	25⅛	-⅛	6.71
World Bank 5⅞ 03	3000	94⅛	94½	-⅛	6.69
World Bank 8¾ 00	1250	112¼	112¾		6.20
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 03 £	1000	95¾	96	-⅛	8.78
Alliance Leics 11⅜ 97 £	100	109¾	110⅛	-⅛	7.57
British Land 8⅞ 23 £	150	91⅞	92⅜	-⅛	9.65
Denmark 6⅜ 98 £	800	95½	96⅝	-⅛	7.76
EIB 10 97 £	637	108⅜	108¾	-⅛	7.28
Halifax 10⅜ 97 £	100	107⅛	107½		7.42
[illegible]					

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Treas. 10pc Ln. 1994‡‡		10.00	-	100xd		102$\frac{3}{16}$	100
Exch 12¼pc 1994		12.27	4.86	101$\frac{13}{16}$	-$\frac{1}{16}$	104$\frac{15}{16}$	101$\frac{13}{16}$
Treas 9pc 1994‡‡		8.83	5.02	101⅞	-$\frac{1}{16}$	103$\frac{15}{32}$	101⅞
12pc 1995		11.46	5.14	104$\frac{3}{4}$		107$\frac{7}{8}$	104$\frac{3}{4}$
[illegible]							
Treas 11½pc 2001-4		9.86	8.27	116⅝	-$\frac{13}{16}$	129$\frac{11}{16}$	114$\frac{5}{16}$
Funding 3½pc '99-4		4.62	7.05	75$\frac{13}{16}$	-$\frac{5}{8}$	86$\frac{5}{16}$	72$\frac{5}{16}$
Conversion 9½pc 2004		8.68	8.13	109½	-$\frac{15}{16}$	125$\frac{5}{16}$	107
Treas 6¾pc 2004‡‡		7.37	7.95	91$\frac{9}{16}$xd	-$\frac{13}{16}$	105⅛	89$\frac{5}{16}$
Conv 9½pc 2005		8.65	8.12	109⅞	-$\frac{15}{16}$	125½	107¼
[illegible]							

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
2pc '96	(67.9)	2.41	3.56	199¼		203⅝	197$\frac{13}{16}$
4⅝pc '98‡‡	(135.6)	2.71	3.46	107$\frac{5}{8}$		113$\frac{5}{16}$	106$\frac{5}{8}$
2½pc '01	(78.3)	3.06	3.47	167$\frac{11}{16}$	-¼	176⅝	165¼
2½pc '03	(78.8)	3.15	3.49	164½	-¼	173⅝	163
[illegible]							

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

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FINANCIAL TIMES
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Betterware makes £14m but warns on outlook

By Paul Taylor

Walter Goldsmith: start-up costs held back first quarter sales

Betterware, the direct home shopping group, yesterday reported a 3 per cent increase in full year pre-tax profits held back by lower interest receipts and the absence of a large exceptional gain which bolstered the previous year's figures.

Profits for the year to February 26 increased from £13.7m to £14.1m on turnover which grew by 12 per cent to £63.2m (£56.3m). The growth in turnover was underpinned by a 14 per cent increase in UK sales which rose to £50.5m and a fourfold increase of sales in France to £2.8m.

The pre-tax result included net interest receipts of £823,000 (£1.14m) while the comparable profit figure was inflated by an exceptional £1.53m VAT credit.

Earnings increased to 9.4p (8.4p) helped by a lower tax charge of £4.39m (£5.14m). A proposed final dividend of 1.95p makes a 2.6p (2p) total. The shares closed 5p lower at 123p.

Mr Walter Goldsmith, chairman, said it had been "a challenging year" but that Betterware had emerged stronger as a result of a series of steps including the opening of a new £10m distribution centre near Birmingham, the strengthening of senior management and further expansion in continental Europe.

Operating profits increased by 5.5 per cent to £13.2m (£12.5m). However, excluding the VAT refund underlying operating profits grew by 19 per cent.

UK margins were higher, helped by a greater emphasis on product development.

The UK average order level held steady at about £8. That compared with £13 in the French operations, which were started two years ago and made about £300,000 in profits last year, and £10 in Spain where Betterware began door-to-door sales in September.

Mr Andrew Cohen, chief executive, said the group plans to begin operations in Germany in the current financial year and will invest about £1m in the start-up.

Commenting on the outlook Mr Goldsmith cautioned that sales in the first quarter had been held back by start-up problems at the new distribution centre, although he said these had now been resolved. He added that sales were also affected by "the consumer uncertainty" of recent weeks but said sales were now showing "a distinctly more positive picture".

● COMMENT

The years of strong growth in the maturing UK market are probably over but the group plans to maintain UK margins by encouraging customers to increase their average spend and by cutting its purchase costs. However, the real engine for future growth should be the new operations in continental Europe. Against this, teething problems at Birmingham and other factors have hit sales and orders at the start of the current year. Overall, pre-tax profits are likely to edge higher to about £14.5m this year producing earnings of 9.5p. The shares have fallen sharply over the past year and are now trading on a reasonable prospective p/e of 12.9.

NHL in the black and to resume lending

By Simon Davies

National Home Loans, the centralised mortgage lender, yesterday announced it would resume residential mortgage lending after a three-year absence, following its return to profitability.

The company reported pre-tax profits of £4.1m for the six months ended March 31, against losses of £26.1m.

Mr Jonathan Perry, executive chairman, said the company had seen "substantial reductions in provisions, repossessions and bad debts" and that a resumption of lending was now "an obvious step".

NHL's mortgage portfolio has fallen from a peak of more than £3bn to £1.8bn, and consequently net interest income was down at £32.1m (£35.8m).

However, operating expenses fell from £16.5m to £11.8m, helped by disposals, while provisions for losses fell by almost £30m to £20.5m.

Accounts that are more than 3 months in arrears have fallen by more than half to 1,516. With the mortgage book under control and being rapidly depleted, the company has decided to make a push for new business.

It has signed a long-term lending facility with Abbey National, which will provide initial funding for its mortgage portfolio, but this will be refinanced through securitisation.

Intermediaries are still estimated to account for more than one third of the mortgage market and NHL is confident it can regain access to this network.

Mr Perry said NHL could compete with the building societies because their cost of capital had increased with competition for deposits, while NHL had the advantage of lower costs through the absence of a retail network.

Renewed lending represents the second leg of NHL's strategy for recovery, and the third leg, a financial restructuring, is promised this year.

The company still has negative shareholders' funds of £32m and preference share dividends are £20.3m in arrears.

A rights issue is also considered likely.

Earnings per share amounted to 0.4p (29.1p losses). The shares rose ½p to 23½p.

Decrease in large bets on credit leaves gaming division lower

Slow start hits Ladbroke shares

By David Blackwell

The number of significant bets on credit made by high spending customers with Ladbroke fell in the first few months of the year hitting profits in its betting and gaming division.

Shares in the hotels, betting and DIY group fell 16½p yesterday to close at 182½p after Mr John Jackson, chairman, told the annual meeting that overall group profits were "currently below last year's level".

Credit betting "had a poor start to the year", he said, and the division's profits were lower than last year.

Credit betting is thought to account for about a quarter of the division's turnover. The peaks and troughs of credit gambling are similar to those faced by top casinos, which can rely on a tiny number of high spending customers for a large proportion of their profits.

Mr Jackson said that the UK retail betting business had performed reasonably well, helped by the successful running of the 1994 Grand National. Both the average amount staked and the number of bets were ahead in the first four months, lifting turnover by 5 per cent.

The shares hit 208p shortly after the announcement of the preliminary results in early March, before retreating to 181p in early May. They started to climb to Friday's close of 199p in the hope of some good news from the AGM.

However, the chairman's statement at the London Hilton yesterday morning proved to be disappointing.

Mr Jackson warned that while Texas Homecare sales were 3.5 per cent higher compared with the first four months of last year, profits were significantly lower.

Operating profits at Hilton International were slightly ahead, with overall occupancy similar to last year and better average room rates.

The property division experienced reduced rental income following disposals. Negotiation on further sales continue, and the group would be making further progress in reducing its investment in commercial property for the rest of this year.

Ladbroke was emerging from a period of considerable change, Mr Jackson said. While profits were below last year's levels, "they are in line with the board's expectations. The board continues to look forward to the future with confidence".

Kunick expects to resume dividends

By Peggy Hollinger

Kunick, the fruit machine company which earlier this year floated its nursing homes division, expects to return to the dividend list after a three-year absence.

Mr Christopher Burnett, chairman, said he was "confident we will pay a dividend at the year-end", barring unforeseen circumstances. Kunick suspended payments in 1992 when recession and the restructuring of the UK pubs industry hit profits in the leisure division.

Mr Burnett was speaking at the company's interim results announcement, which showed a 50 per cent increase in profits before tax and exceptional gains to £3.1m. There was an exceptional profit of £1.9m, after goodwill write-offs, on the flotation of Goldsborough Healthcare in March.

Sales fell by 3 per cent to £47.8m in the six months to March 31. Pre-tax profits were £5m (£2.1m) and earnings per share came through at 1.07p (0.26p losses).

Mr Burnett said the group had begun to see some recovery in its core leisure business, while plans for Kunick's future strategy were well advanced.

Kunick is thought to be planning to develop its trial games arcade operation in Leeds along theme park lines, using proceeds from the Goldsborough flotation. Mr Burnett said Kunick would announce details of its commercially sensitive strategy in the second half.

He reiterated that the group's efforts to refocus on its core amusement machine business had begun to pay off.

The amusement machines division had increased operating profits by 10 per cent to £2.5m in spite of the fact that consumers were not spending any more in pubs. Cost-cutting and new types of machines helped profits in the UK, he said.

The discount retail business in France survived a severe price war to report a 6 per cent increase in operating profits to £731,000.

The four remaining nursing homes in France increased profits by 54 per cent to £522,000, with occupancy levels running at 97 per cent. Mr Burnett said that business would be sold at some stage.

The Goldsborough disposal also left the group with a strengthened balance sheet. Kunick raised £25.6m from its share of the nursing homes business, jointly owned with NatWest Ventures. Net cash was £6.9m at the half-year, against debt of £17m last time.

NEWS DIGEST

S Daniels warns of deficit

Shares in S Daniels yesterday fell 10p to 64p as the supplier to the food manufacturing and baking industries warned of a loss for the first half of the current year.

The group had returned to profit of £63,000 in 1993 after incurring a succession of losses.

Mr Paul Daniels, chairman and chief executive, said pressure on margins remained intense as competition intensified. Several group development projects were under way but these would not impact on the interim result, he said.

As a result of this setback Mr Daniels was reviewing operations and had started looking for a group chief executive.

MY Holdings

MY Holdings, the enlarged specialist packaging group, has acquired two more businesses, Cleanprint and Jensa Packaging, for a total cash consideration of £1.6m.

The two companies supply the healthcare sector and for 1993 generated combined pre-tax profits of £240,000 on turnover of £2m. Net assets acquired were about £260,000.

Albion

The closure of its County Down trouser factory left Albion, the Belfast-based men's wear company, with pre-tax profits substantially lower at £291,673 in the six months to March 31, against £507,940.

There was a charge of £250,000 relating to the closure. The shares fell 17p to 96p.

Turnover advanced 47 per cent to £13.5m (£9.14m), mainly reflecting the acquisition of Maitland Menswear. However, with margins cut to maintain market share, operating profits were only 7 per cent higher at £541,673 (£507,940).

Earnings per share were 5.6p (9.6p) and the interim dividend is maintained at 1.6p.

Kelt Energy

For the nine months to December 31, Kelt Energy, the oil and gas exploration and production company, achieved net profits of £4.43m, equivalent to earnings per share of 3p.

The company has changed its year end; profits in the previous 12 months were £4.77m for earnings of 3.3p.

On turnover of £26.7m (£21.4m) operating profits were £5.78m (£6.56m). The pre-tax result was £5,05m (£5.68m).

A 1p dividend is recommended with an enhanced scrip alternative.

Mr Hubert Perrodo, chairman, said that Kelt's profile had changed considerable over the past two years with an expansion of its activities overseas.

Frost

Frost Group, the petrol retailer, has bought 18 petrol stations in Yorkshire from Bayford for £2.45m cash.

The company expects to spend a further £4.5m developing the sites, which will not contribute fully to profits for two to three years.

Scottish Radio

Scottish Radio Holdings, formerly known as Radio Clyde, achieved a 29 per cent increase in pre-tax profits to £1.97m for the half year ended March 31.

Turnover advanced 15 per cent to £8.1m – through its broadcasting outlets the USM-traded company serves more than 85 per cent of the Scottish population.

Earnings rose to 14.1p (12p) and the interim dividend is lifted 1p to 4.5p.

The comparative profits figure included exceptional income of £273,000.

Eagle Trust

Eagle Trust, the film and television services and distribution group, reported a reduced pre-tax loss of £5.53m for 1993, against £7.59m. Turnover fell from £84.4m to £80.9m, including £17.8m from discontinued activities.

The result benefited from lower interest charges of £4.6m (£6.84m).

The figures took account of the disposal of the lighting activities of the film and television section and the cessation of trading by D Pavis.

There was a pre-interest profit on continuing activities of £1.92m.

British Biotech

British Biotechnology has moved its main product, the cancer treatment Batimastat, into the next stage of clinical development. Success with the first trials, announced in March, led within two weeks to a £94m cash-raising exercise.

The next stage – Phase 2 – is designed to determine the best doses. Phase 3 large scale trials is scheduled to start in the last quarter of 1994. If the trials are successful, the product could be launched in 1996 or 1997.

Manchester United scores in VCI's £28m flotation

By Raymond Snoddy

VCI, the videos and pre-recorded music publisher, yesterday marked the publication of its flotation pathfinder document by launching 10 titles devoted to aspects of Manchester United's league and cup double.

Mr Steve Ayres, chief executive, who hopes the company will be capitalised at more than £60m, cited the launch of the football titles 10 days after the cup final as the example of VCI's speed and flexibility.

"We will probably sell about 200,000 Manchester United videos across the 10 titles," said Mr Ayres, who pioneered the video sell-through – sale rather than rental – market in the UK.

The company hopes to raise a net £28m through a placing and intermediaries offer to repay debt incurred in the management buy-out with directors selling 30 per cent of their 17 per cent stake in the company.

Mr Ayres has a 4.9 per cent stake which should be worth £1.5m to £2m as a result of the float.

In the year to December 31 1993, VCI made operating profits of £5.9m before exceptional items on turnover of £59.8m. However, operating profit for 1992 was £2.3m, down from £5.2m.

Mr Ayres blamed the 1992 fall on problems at Strand Magnetics, its manufacturing arm, and the write-offs on childrens' programming following the entry of Disney into the market.

Strand was closed and its business sold to Rank. VCI videos aimed at children concentrate on pre-school titles such as Thomas the Tank Engine and Sooty.

"The publishing businesses have a fantastic track record and it's the publishing businesses we are floating. The rest have long since gone," said Mr Ayres, who added he had decided that now was the right timing for a float.

VCI was set up in 1985 and is one of the largest of the independent publishers. It has sold a total of 44m video cassettes in the UK alone.

Next month, coinciding with the float, VCI will begin its move into personal computer software for the first time with games and educational titles.

The offer is being sponsored by Samuel Montagu with James Capel acting as brokers.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Albion	int	1.6	July 7	1.6	-	4
Betterware	fin	1.95†	July 18	1.5	2.6	2
British Airways	fin	7.92†	July 29	7.54	11.1	10.6
Domino Printing	int	3.2	July 22	2.85	-	7.95
Kelt Energy	fin	1大	Aug 18	-	1‡	-
Kenwood	fin	6	Aug 27	4.35	9	5.85
Richards	int	1.07	July 1	1.07	-	3
Scottish Radio §	int	4.5	July 8	3.5	-	9.5
Seton Healthcare	fin	4.6†	July 29	4.1	6.5	5.8
Tops Estates	fin	1.6	-	1.5225	2.206	2.1295
Warnford Invs	fin	5	Oct 10	4.75	7.75	7.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. 大Enhanced scrip alternative available. ‡For nine months.

£61m buy for Tops Estates

Tops Estates, which in January paid £14m for two shopping centres in Lancashire, yesterday announced the acquisition of the Bond Street shopping centre in Leeds from Guardian Properties for £61m.

It also reported pre-tax profits up from £1.69m to £2.37m in the year to March 31. Rental income expanded to £14.3m (£10.6m), while property outgoings rose to £720,000 (£499,000).

The centre was opened in 1977 and occupies a 2.5 acre site in the centre of the city. The consideration is to be financed initially through new bank facilities "negotiated for the purpose", the company said.

Most of the centre will be retained for investment giving a current rental income of about £3.5m but a part, valued at about £12m and providing income of £680,000, will be sold.

The pre-tax figure included £494,000 of profits from the sale of a property acquired during the year for disposal. Interest took £10.7m (£7.49m).

Earnings per share rose to 4.53p (4.4p) and the final dividend is lifted to a proposed 1.6p (1.5225p) for a total of 2.2064p (2.1p), a rise of 5 per cent.

The group's investment portfolio was independently valued at £234m at the period end, compared with a valuation of £191m 12 months earlier.

FURTHER GROWTH FROM MACFARLANE

Macfarlane Group (Clansman) P.L.C.
Results for the year ended 31st December 1993

	1993 £000	1992 £000	INCREASE
PROFIT BEFORE TAXATION	12,732	10,152	25%
DIVIDENDS PER ORDINARY SHARE	3.84p	3.19p	20%
EARNINGS PER ORDINARY SHARE	11.25p	8.80p	28%

CHAIRMAN'S COMMENTS

"Dividends have increased by over 57% in the last four years and have increased every year since we became a public company in 1973."

"I have stated on many occasions that shareholders should continue to benefit from growth in income which reflects the earnings growth in the Group."

"The results are a tribute to the commitment, dedication, expertise and experience of our executives who have successfully managed the Group through recessionary conditions."

"I remain confident that Macfarlane Group will continue to make satisfactory progress."

LORD MACFARLANE OF BEARSDEN
CHAIRMAN

If you would like a copy of the Annual Report write to: The Secretary, Macfarlane Group (Clansman) PLC, 21 Newton Place, Glasgow G3 7PY

SOCIETE ALSACIENNE DE MAGASINS

Notice to holders of
PINAULT-PRINTEMPS-REDOUTE share warrants

Holders of the above-mentioned securities are hereby informed of the decision taken at the Extraordinary General Meeting of the shareholders of Pinault-Printemps on 18 May 1994 to increase the capital of the company from 1,445,758,300 French francs to 1,590,334,100 French francs by incorporation of the special long-term capital gains reserve.

This capital increase involves the issue of 1,445,578 shares, allotted free of charge to shareholders on the basis of 1 new share for each 10 shares held.

The conditions under which the share warrants may be exercised have been adjusted to take account of this capital increase, in accordance with the terms and conditions set out in the issue contract. Each share warrant exercised henceforth entitles the holder to 1.1 shares.

In the event that all the warrants exercised by a single holder were to entitle the holder to a quantity of shares other than a round number, the holder will receive a quantity of shares rounded down to the nearest whole number, and a cash payment equal to the value of the remaining fraction of a share, calculated on the basis of the opening share price quoted on the Paris Bourse on the day prior to that on which the request to exercise the warrants is received by a duly authorised intermediary.

The new exchange value shall apply to warrants exercised from 20 May 1994 inclusive.

GROUPE PINAULT-PRINTEMPS-REDOUTE

BBL (Cayman) Limited
USD 125,000,000
Guaranteed Floating Rate Notes due 1997

Interest Rate: 5.30%
Interest Period: from 24.5.94 to 25.11.94
Interest payable per
USD 250,000 Note: USD 6,809.03
USD 500,000 Note: USD 13,618.06

By Fuji Bank (Luxembourg) S.A.
Agent Bank

£75,000,000
HMC FINANCING 3 PLC
Class A
Mortgage Backed Floating Rate Notes due December 2018

Notice is hereby given that there will be a principal payment of £1,467.29 per Note on the interest payment date June 15, 1994. The principal amount outstanding per Note will be £38,623.49.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
May 24, 1994

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1/2 hour period ending	Provisional Price for Trading on 24.05.94 Pool purchase price £/MWh	Firm Prices for Trading on 20.05.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.90	11.05	11.05
0100	10.90	11.18	11.18
0130	10.97	11.20	11.20
0200	12.72	11.82	14.25
0230	13.06	12.26	14.70
0300	11.00	12.26	14.70
0330	10.90	11.82	14.26
0400	10.90	11.18	11.18
0430	10.90	11.17	11.17
0500	10.90	11.15	11.15
0530	11.00	11.16	11.15
0600	11.65	11.17	11.17
0630	11.73	11.20	11.20
0700	15.08	17.65	20.08
0730	22.94	20.65	23.10
0800	24.99	25.04	27.55
0830	25.56	33.65	36.19
0900	35.34	33.74	36.32
0930	35.37	25.22	27.79
1000	35.36	25.19	27.74
1030	35.35	25.16	27.71
1100	26.62	25.11	27.65
1130	25.61	24.82	27.38
1200	25.61	24.85	27.39
1230	25.69	24.80	27.33
1300	24.72	24.08	26.56
1330	24.22	22.75	25.21
1400	24.21	22.71	25.16
1430	23.37	22.70	25.15
1500	23.37	22.70	25.15
1530	23.37	22.70	25.15
1600	23.38	22.74	25.20
1630	24.22	26.53	29.01
1700	36.81	34.33	36.83
1730	36.80	34.29	36.78
1800	36.79	34.22	36.67
1830	23.37	21.41	23.86
1900	22.94	20.61	23.04
1930	22.62	20.18	22.61
2000	20.51	20.18	22.61
2030	17.10	13.21	13.21
2100	20.51	30.32	32.76
2130	35.00	30.32	32.76
2200	35.00	30.32	32.76
2230	26.22	29.43	31.86
2300	26.22	13.40	15.83
2330	17.10	11.20	11.20
2400	15.06	11.08	11.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction [illegible] until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of that revision and/or correction, no reliance should be placed upon provisional pool prices [illegible] the same as final pool prices for that day. Pool selling prices are also capable of revision. [illegible] in the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. [illegible] information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between [illegible] Monday to Friday.
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US expansion behind 46% rise at Domino

By Alan Cane

Shares in Domino Printing Sciences yesterday rose 27p to 517p following a sharp advance at the interim stage. The Cambridge-based printer manufacturer is benefiting from heavy investment in the US where sales grew 49 per cent in all sectors.

The group also announced the acquisition of certain assets and intellectual property rights of Directed Energy for $7m (£4.6m), to be satisfied by shares and up to $1.8m cash. The Californian company has developed digital laser technology for use in the coding and marking market.

Profits before tax jumped 46 per cent from £3.73m to £5.44m. Earnings per share rose by the same percentage to 13.65p (9.35p). An interim dividend of 3.2p is declared, 20 per cent ahead of last year's 2.65p.

Sales rose 10 per cent to £41.4m (£37.6m). In the Americas, where Domino's chief competition is Videojet, owned by GEC of the UK, sales rose from £9.5m to £14.2m. In Europe, however, they fell 10 per cent to £16.7m (£18.5m) while the UK was flat at £5.8m (£5.7m).

There was an encouraging 22 per cent rise in the rest of the world from £3.91m to £4.76m. The group performed particularly well in Saudia Arabia, Dubai and Singapore.

Tony Andrews

Gerald Dennis: predictions of return to normal growth fulfilled

PackTrack, the diversification into mimeographic printing, is near to break even with sales in the first half of £674,000.

Mr Gerald Dennis, chairman, said his prediction at the end of last year that the group would return to its traditional rates of growth and profitability had been fulfilled.

The forward order book, worth £6m, was the best the group had achieved, he added. "We are confident that we will continue to grow profits through the second half," he said.

Domino traditionally makes most of its sales in the second six months of the year and full year profits could be almost three times the interim figure.

The group is one of a small number of mainly UK-owned companies which dominate the continuous ink-jet printing market. Continuous ink jet printers are able to print on a variety of surfaces using different kinds of ink and are able to withstand the rigours of the factory floor.

Growth report gives Celsis shares a fillip

By Daniel Green

Celsis, the biotechnology company which was valued at £60m when it came to the stock market in July 1993, saw a sharp rise in costs and sales in the year to March 31.

Spending on research and development rose from £156,000 to £984,000 while a rise in the number of employees from 15 to 48 and the associated costs of growth, took overheads from £349,000 to £1.3m.

The flotation proceeds lifted net current assets – an important figure for a low-sales, high investment biotechnology company – to £10.8m (£770,000).

A pre-tax loss of £1.58m compared with a deficit of £460,000 for the six months to end-March 1993.

The shares rose 4p to 91p compared with the flotation price of 100p that gave a market capitalisation of £54.6m.

Mr John Precious, chairman, said the new financial year had started well. New products were well on track.

For 1993-94, sales of the company's one product, a contamination detection kit, increased by 46 per cent to £172,000. Fee income brought total turnover to £274,000.

The contamination kit is used by Unilever, the Anglo-Dutch consumer goods company and the Thames Water and Severn Trent water companies. Each kit costs about £500 and is good for 500 tests, said Mr Chris Evans, the company's founder and 26 per cent stakeholder.

What the company regards as potentially its biggest seller, the Digital kit for detecting and quantifying low levels of contamination, is scheduled for launch in the last quarter of 1994.

The company said that it had signed a collaborative deal with Wellcome, the pharmaceuticals company, to determine the feasibility of using Celsis technology in hygiene monitoring. It also launched a new product yesterday, the Colony Counter, which automates part of the laboratory testing for microbes.

Murray Johnstone halts launch due to demand doubts

By Bethan Hutton

Murray Johnstone is postponing the launch of a smaller company investment trust because of doubts over the level of investor demand.

The Murray Acorn Trust earlier this month announced plans to raise up to £80m to invest in small companies capitalised at up to £50m, and some venture capital projects, such as management buy-ins.

But yesterday Mr Alastair Stewart, one of the intended managers of the fund, said that after presentations to potential investors, the company decided not to proceed. "We did not have enough indications of institutional support to give us confidence to continue with the public offer," he said. Plans for the launch could be revived at a later stage if market conditions changed.

Mr Philip Middleton, investment trust analyst with Smith New Court, said he was surprised at the development.

However, he added that the current state of the market made it difficult to launch new trusts. "You are pushing water uphill to get an investment trust away just with institutions, and the retail market has been very slack recently. There have been a number of issues which have not been able to raise the amount they wanted."

Records were set earlier this year for the amount of money raised by new investment trust issues, but since the first rise in US interest rates in February, investors have been much more cautious.

The oversupply of funds in the smaller company and venture capital area may also have been a factor. Several new and established smaller company and venture capital trusts have raised new funds recently, and the proposed Acorn launch was overshadowed by the imminent flotation of 3i, the venture capital fund.

Yorkshire Food buy

Yorkshire Food Group has purchased Sweeteners (UK), a Northamptonshire-based maker of artificial sweeteners, for £68,000 cash.

NEWS IN BRIEF

DARBY GROUP has completed the acquisition of Unique Sealed Units of Ruislip, Middlesex, for a maximum £240,000 cash.

FITZWILTON: Recent open offer of 117m new units placed with new and existing investors; the latter took up 16.1m of the units on offer.

FORTE has acquired two roadside service areas, at Bangor, north Wales, and Newark, Nottinghamshire, from Pavilion Services.

IAWS GROUP: Holders of the 8 per cent subordinated convertible unsecured loan notes have agreed to their conversion on the basis of for each note, 1.2 A shares, one 8.5 per cent convertible preference share or I£1 cash.

JUPITER TYNDALL: the basis of allotment for the enhanced scrip dividend alternative will be one new share for every 25.75 ordinaries held.

LILLESHALL has sold 11.1 acres of land at Telford, Shropshire, for £862,155. Net book value of the land was £46,000.

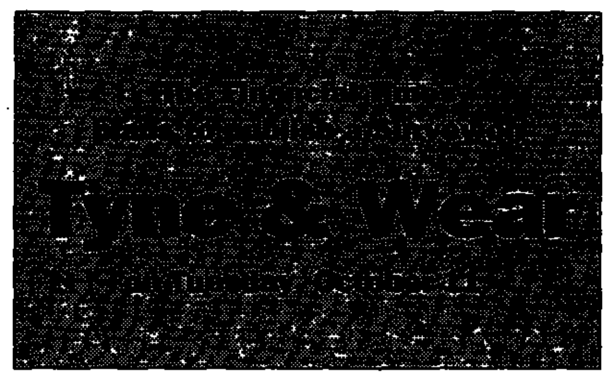
MEPC, the property company, has submitted an outline planning application for the redevelopment of the Central Trading Estate in Staines, which it is planning to buy from Hanover Property Unit Trust. MEPC Developments has proposed building 415,000 sq ft of business space set in parkland on the 17 acre site.

SCHOLL is to set up a joint venture in India with local company Piramal Enterprises responsible for the marketing, sale and distribution of Scholl products in the subcontinent.

SILVERMINES intends to acquire compulsorily the balance of the shares in Molynx Holdings not already owned.

TEES AND HARTLEPOOL Port Authority has acquired R Durham, a Cleveland-based road haulage and warehousing company, for an undisclosed sum. The company operates a fleet of more than 140 vehicles and has annual turnover of £10m. Teesside Holdings, a consortium formed by Humberside Holdings, 3i and Powell Duffryn, acquired the Tees and Hartlepool Port Authority for £180m in 1992.

WILLIAMS HOLDINGS has received acceptances for its recent rights issue in respect of 73.8m new ordinary shares representing 89.02 per cent.



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* Source: BMRC 1993, EBRS 1993

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Seton rises 39% as UK healthcare side grows

By Andrew Bolger

Seton Healthcare, the medical products and sports equipment group, said it would concentrate for the next few years on the UK healthcare market, where it was enjoying strong organic growth.

The Oldham-based company reported a 39 per cent increase in pre-tax profits, from £6.1m to £8.45m, in the year to February 28.

Sales rose by 28 per cent, from £38.6m to £49.4m. Of that, £1.7m came from acquisitions and £8m was contributed by the Cupal businesses, bought at the end of 1992.

Mr Ian Cater, chief executive, said the contribution to group sales from healthcare had risen from 61 per cent to 67 per cent.

Seton's concentration on community care and the over-the-counter products was paying off in UK healthcare, which showed organic growth of 11 per cent. Healthcare's operating profits rose from £5.99m to £7.86m.

Trading conditions were difficult in continental Europe, with sales to Germany and Italy adversely affected by healthcare reforms. The focus of European activity was being moved into community care and the OTC sectors.

The much smaller sports and leisure division increased sales by 9 per cent to £5.5m. It increased market share and improved margins, lifting operating profit by 16 per cent to £703,000.

During the year Seton spent £5.25m on OTC brands, including Waspeze, an insect bite remedy, and Burneze, a burns treatment. Since the year-end, a further £6.25m has been spent on dietary supplements and a range of antacid products.

Gearing increased from 3 per cent to 36 per cent during the year, although interest cover was a comfortable 28 times.

A new £5.4m distribution centre at Oldham has been completed on budget and will become operational later this year.

Earnings per share rose by 17 per cent to 19.1p (16.3p).

A final dividend of 4.6p (4.1p) gives a total for the year of 6.5p (5.74p), a rise of 13 per cent.

● **COMMENT**

Seton's focus on OTC brands and community care through its sales force of former nurses seems well suited to the prevailing trends, at least in the UK. Self-medication now accounts for more than 30 per cent of sales. The group has integrated the Cupal acquisitions smoothly and and marketing of new brands has also paid off. The shares, up 6p to 318p yesterday, rose swiftly after being floated at 130p in 1990. However, since peaking at 360p last year, they have underperformed the market by more than 20 per cent as healthcare stocks fell out of favour. Forecast pre-tax profits of £9.7m put Seton's shares on a prospective multiple of about 14 – which seems undemanding for a group with such a timely focus.

Richards loss deepens to £1.6m

Losses at Richards, the Aberdeen-based textile manufacturer, widened from £326,000 to £1.62m pre-tax for the six months ended March 31 1994.

The figure included provisions totalling £1.61m for the period. Before these items there was a swing at the operating level from losses of £248,000 to profits of £220,000 from continuing activities.

Turnover of the ongoing businesses rose to £38.5m, compared with £33.3m. Losses per share emerged at 5.56p against a previous 0.63p, while the interim dividend is maintained at 1.07p net per share.

Right connection for European expansion

Andrew Bolger on a US purchase that changed the horizons of Senior Engineering

Flexible couplings and expansion joints may sound unglamorous, but these products have transformed the strategy and prospects of Senior Engineering Group.

Until recently, Senior was best known as a solid if rather unexciting supplier of boilers and ductwork.

Yet the last two years have seen it withdraw from the mining equipment business due to the shrinking of the UK coal industry. It has also stopped competing for large turnkey power projects because of the consequent reduction in coal-fired power generation.

More significantly, Senior has acquired a US business with a commanding position in the US automotive market – a base from which the UK group has started to expand into the European motors market through heavy investment.

Flexonics, which Senior bought for £28m in 1992, has a dominant position in the US automotive market for flexible couplings and expansion joints, used to reduce exhaust vibration and cut emissions. It will invest a further £28m over the next two years in this business, which is benefiting from tougher pollution controls.

Senior has won a contract which will be worth $75m (£50m) over four years to supply General Motors' fleet of light trucks with exhaust gas returns (EGRs), pipes which reduce vehicle emissions by channeling fumes back into the engine to be reburned.

Encouraged by Ford, one of its main customers, Senior has invested £8m in building a factory in south Wales. The chart shows Senior Flexonic's planned growth in production of exhaust connectors and EGRs, which is expected to triple between 1993 and 1996.

Mr John Bell, who became Senior's chief executive in 1992, said: "Flexonics is the thing that has changed our horizons over the last two years. We need to be influential in the markets we are in. We also need to be international – the world today requires that."

Senior now has three divisions:

● Engineered products, which includes Flexonics, made operating profits of £10.6m on sales of £168m last year;

● Thermal engineering, which made £8.5m on sales of £160m;

● Construction services, which made £6.2m on sales of £63m.

The thermal engineering division supplies boilers and heat transfer components for main power generation contracts. Mr Bell says the group "has stopped pretending" it is big enough to compete as a turnkey contractor with the likes of Asea Brown Boveri and GEC Alsthom. Instead, "we will concentrate on components, and on being thermal engineering experts."

Mr Bell says construction services is wrongly named – it really should be called engineered air services. The business cannot be international in the same way as Flexonics and thermal engineering, not least because it faces huge international players at the smaller end of the air-conditioning market. He says: "We have niche businesses, tailor-making big thermal systems for customers such as hospitals. We need to find sustainable niches."

It is, however, the opportunity that Flexonics has brought to the engineered products division which mainly accounts for the outperformance by Senior's shares against the market.

Flexonics, based near Chicago, was the creation of a single entrepreneur. Mr Bell said of the owner: "The reasons for the sale are now becoming clearer – there is no way he would have been able to invest in the business in the way we are now doing. There is luck in things. The opportunities have turned out to be even greater than when we first bought it."

One such opportunity was the close relationship which Flexonics had already forged with Ford. When the US motors giant decided it was going to use exhaust connectors in Europe, it wanted a partner to work on the design. Ford talked to German and Japanese competitors but chose Flexonics, which is sole supplier of connectors in the US to Ford and GM.

The £8m factory which Senior has built in south Wales was due to begin production in 1995, but Senior opened it earlier than intended principally to supply Ford's Mondeo. Senior can supply other manufacturers from the plant, and Volvo and Saab are currently talking to the group – Volvo's connectors are currently made by Flexonics in the US.

One advantage which Senior found from being a truly international player was that the factory's location in Europe was genuinely "mobile" – so the group attracted competing offers of investment aid from Ireland and the UK. The Welsh plant opened early last year and now employs 60 people. By the time it reaches its maximum employment level of 250 jobs in 1996, Senior will have received a grant of £2m from the Welsh Development Agency – a quarter of the total cost.

Senior emphasises that Flexonics has a broader product base than automotive, even although that sector has grown from nothing to 36 per cent of its output in the last five years.

Mr Bell said: "Flexonics' roots are many and varied and our strength is because of our expertise in pipework and connective services. That is what gave us our opportunity."

Senior Flexonics, which now includes the group'existing UK hose and flexible tube businesses, also supplies the industrial, aerospace and medical sectors. Mr Bell said recent acquisitions were designed to maintain the balance of the group, even although automotive was forecast to grow so rapidly.

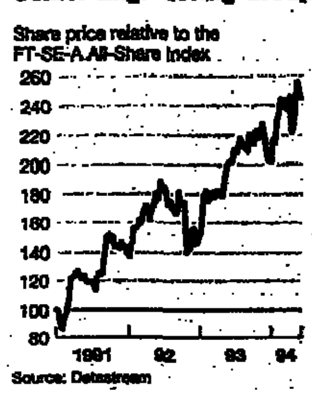
In March, Senior launched a £65m rights issue to fund the expansion of Flexonics and two simultaneously announced purchases. The group paid £10m for Metal Bellows, a US maker of welded diaphragm metal bellows for the aerospace, semiconductor, medical and industrial markets. It also acquired Christian Berghofer, a German manufacturer of flexible hoses and expansion joints for £8m.

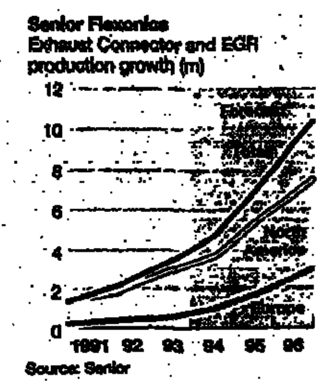
Senior is also on course to achieve another strategic aim: decreasing its dependence on the UK market. Albert E Sharp, the stockbroker, estimates that by 1995 only 50 per cent of the group's sales will be UK by origin – down from 71 per cent in 1991.

The acquisition of Flexonics has given the group a great opportunity – not only domination of the US automotive market, but pole position in the race for the European market, where stricter environmental legislation is likely to increase demand for similar products.

Mr Bell says: "We are not short of opportunities. You do have to be courageous – but you also have to keep your eye on where you are going."

Senior Engineering Group





NEWS IN BRIEF

AIRTOURS rights issue of 21.44m shares has been taken up in respect of more than 98 per cent.

ASHLEY GROUP has completed the sale of its wholly owned subsidiary Storflex to A/S Chr Fabers Fabriker, a Danish window blind company, for £1.89m cash.

BRISTOL SCOTTS has agreed to sell its Scotts Restaurant operating from Mount Street, London, to Groupe Chez Gerard, for £380,000 cash plus stock at valuation.

BRITISH POLYTHENE Industries has acquired Nyborg Plast of Merseyside for an estimated £1.3m cash, payable at the year-end. Net assets at end-December 1993 amounted to £1.6m.

BURNFIELD has acquired Advanced Particle Measurements for $2m (£1.3m) cash. APM's sole activity has been the exclusive distribution in the US since 1985 for the range of particle size measuring instruments made by Burnfield's Malvern division.

CINVen, the venture capital company, is backing the management buy-in at Foxguard Group, a manufacturer of vehicle security systems.

CITY CENTRE Restaurants has entered into a contract for the sale and leaseback of its property at 20-21 Leicester Square, London, to Amps (London Life Fund) and Pearl Assurance for £10m cash. Book value of the property is £6.4m.

CONRAD has appointed Mr Rod McMillan as managing director of Matchwinner, the Conrad subsidiary which specialises in the design and production of replica sport and leisurewear. Mr McMillan is subscribing for £2.1m shares in Conrad (2.58 per cent of the enlarged capital) at 6p.

SYSTEMS CONNECTIONS, a supplier of document management and integrity systems, has changed its name to Formscan and its shares now trade under Rule 535(2).

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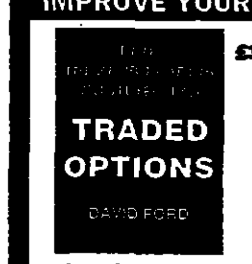

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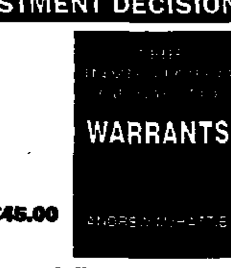

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Exports help Kenwood rise 14% to £11m

By David Blackwell

Higher sales, continued cost control and improved results from overseas subsidiaries were behind a 14.5 per cent rise in annual profits at Kenwood Appliances, the household appliance maker which was floated in June 1992.

Pre-tax profits for the year to end-March rose from a pro forma £9.6m to £11m, after £700,000 of exceptional charges. Turnover increased by 19 per cent from £101.6m to £120.4m.

"We see these as very good results," said Mr Tim Parker, chief executive, adding: "We can't see how things can be anything but better this year."

Sales in the UK, its single biggest market, rose by 17 per cent to £41.2m. The company had 94 per cent of the UK table-top food mixer market.

Waymaster, the water filter and kitchen scales maker acquired for £4.3m last October, contributed £524,000 to profits in the last five months of the year, and is expected to bring in £1.5m this time.

The Hampshire-based group, which last month won a Queen's Award for Exports, increased sales to continental Europe from £38.5m to £44m, and to the rest of the world from £27.8m to £35.1m.

Capital expenditure rose from £4.5m to £6.6m, and is expected to reach a total of £9m this year.

Mr Parker said the group was continuing to look for further opportunities to expand.

Earnings rose to 20.8p (17.8p). A final dividend of 6p brings the total to 9p (7.8p). The shares rose 3p to 348p.

● COMMENT

The results show solid progress on the back of sound acquisitions, and there seems no reason why the maker of the Kenwood Chef mixer should not continue to grow. It needs to be careful to protect the quality image of its single brand when selling lower margin goods like kettles and toasters, where competition is intense. Overseas distribution is being sorted out, particularly in Germany, where the group has been severely underexposed. With profits of £13.5m pencilled in for this year, the shares look good value on a p/e of 13.5.

Change of control at Celtic Gold

Shares in Celtic Gold have been suspended at the company's request on news that Claddagh Gold, its main shareholder, intends to sell its 54 per cent stake to English Trust.

At the same time Celtic, the mineral and exploration company, announced a rise in 1993 pre-tax losses from I£160,321 to I£302,002 (£298,980), after exceptional charges of I£266,493 (I£129,953) relating mainly to gold exploration properties written off.

Mr Herb Stanley, executive chairman, said English Trust, an investment management and corporate finance group, had indicated that it planned board changes once the sale was completed.

In addition, English Trust would arrange a share placing in Celtic to raise I£520,000 at 17p per share on a 1-for-6 basis.

The company planned to dispose of Clare Calcite, its wholly owned subsidiary, and also contemplated entering into talks for the acquisition of a substantial financial services company.

USAir's financial problems overshadow 'impressive' BA results

£275m provision warning in the air

By Paul Betts, Aerospace Correspondent

The acute financial problems of USAir yesterday overshadowed the announcement by British Airways of another set of impressive figures, including pre-tax profits of £301m in its latest financial year.

In the worst case scenario, Sir Colin Marshall, BA's chairman, conceded that BA may be forced to write-off its £275.3m investment in its 24.6 per cent stake in USAir, the sixth largest US carrier.

However, he also said the partnership with USAir, a centrepiece in BA's strategy of global alliances, was bringing benefits through the ticket code-sharing agreement between the two carriers, the joint frequent flier programme and cost saving opportunities.

These benefits totalled about £10m last year and were expected to rise to £70m this year.

Even if USAir was forced to file under the US Chapter 11 bankruptcy rules, the code-sharing and other co-operative ventures between the two carriers would continue and so would the benefits from the increasing traffic feed from USAir's domestic services into BA's international network.

However, should BA be forced to make heavy provisions to cover its USAir investment, it would represent a significant setback for the carrier, both financially and psychologically since it would raise fundamental questions about the UK carrier's ambitious global strategy.

Sir Colin said USAir had been severely hit by increasing competition from low-cost, low-fare airlines in its principal market in the north-east of the US.

USAir incurred losses of $196.7m (£131m) in its first quarter to March 31 1994 and the deficit for the whole year is now expected to exceed last year's $349.4m.

The future of the airline now hinges on a restructuring programme aimed at eliminating $1bn of costs a year.

Sir Colin explained that about $500m of the cost savings and revenue enhancement measures would come from USAir management actions including the quicker turnround of aircraft at airports.

The other $500m savings would have to come from union concessions on work practices and salaries.

Sir Colin said there was "a sense of urgency" to reach these agreements with the unions during the next 90 days. He warned that if these negotiations were not successful then BA would have to make a provision on its USAir investment.

If USAir were forced to file for Chapter 11, it would hit the current £16m to £18m BA earns in annual dividends from its preferred stock in USAir.

So far, BA has been cushioned from USAir's financial problems because its 24.6 per cent stake in the US carrier involves preferred shares.

Lydia van der Meer

Sir Colin Marshall: future of USAir hinges on restructuring aimed at eliminating $1bn of costs

BA sounded the first alarm bells about its USAir investment in March when it announced it would not make any additional investments in the airline until it had been reassured of the ongoing viability of the business.

In contrast to the problems facing its investment, BA said yesterday that its partnerships with European airlines and Qantas of Australia were showing encouraging signs.

Although both TAT, its French affiliate, and Deutsche BA, its German partner, continued to lose money last year, the two carriers were improving and would help strengthen BA's overall position in the newly-liberalised European aviation market.

Qantas, for its part, was profitable and Sir Colin said he expected "real benefits" from BA's 25 per cent stake in the Australian carrier due to be fully privatised over the next 13 months.

However, should the USAir restructuring and recovery programme fail, BA risks being left with a gaping hole in its overall global airline strategy, since the US market still accounts for about 40 per cent of world air travel.

Racal pays £12.3m for Air Group division

By Alan Cane

Racal Electronics has paid £12.3m for the information technology and security division of Air Group, the multimedia and wireless communications concern. Payment comprised £11.9m in cash and £376,854 in shares.

The division, which includes three Airtech businesses, made pre-tax profits of £1.4m on sales of £8m last year. Racal said it intended to combine the companies with its own IT security operations in Europe and the US to create a new force in the business.

The new group, to be called Racal-Airtech, will be run by Mr Alan Lamb, Airtech's existing managing director. It will have initial sales of £18m a year.

Racal expects revenues to double in three years. IT security has become an important issue as the dangers of hacking, fraud, accidental damage and operator errors in large computer networks have become apparent. The worldwide business is estimated at £1bn and growing rapidly.

Mr Nick Randall, Air Group managing director, said the company would use the proceeds of the sale to develop its interests in multimedia software, where sales had grown from nil to £4m over four years, and the communications industry.

EURO DISNEY NOTICE OF GENERAL MEETING

The shareholders of Euro Disney S.C.A. are informed that an extraordinary general meeting will be held on June 8, 1994 at 10.00 am at the Hotel New York – Convention Center (Euro Disneyland® Paris), Chessy (Seine-et-Marne), France.

The agenda for the meeting, a list of resolutions and the report of the Company are available from S.G.Warburg Securities, 2 Finsbury Avenue, London EC2M 2PA until June 8, 1994.

Any shareholder, regardless of the number of shares he/she holds, has the right to attend this meeting, to be represented by another shareholder and member of this meeting or by his/her spouse, or to vote by mail.

In order to attend or to be represented at this meeting or to vote by mail:
- holders of registered shares will have to be registered at the latest five days prior to the date of the meeting;
- holders of bearer shares must ensure that the manager of their share account confirms, prior to the same date, their shareholding as at the date of the extraordinary general meeting with Banque Indosuez, 96 boulevard Haussmann, 75008 Paris, France.

Banque Indosuez will make available to interested shareholders proxy or postal voting forms and admission cards. Shareholders wishing to vote by mail must, pursuant to legal provision, request by registered mail with acknowledgement of receipt requested, a postal voting form from Banque Indosuez or the registered office of the Company (Investor Relations Department).

In accordance with the law, shareholders are reminded that:
- any request for a form, to be taken into account, will have to be received at the registered office of the Company or at the above office of Banque Indosuez six days prior to the day of the meeting, i.e. by Thursday, June 2, 1994 at the latest;
- the form, duly completed, will have to be received at the registered office of the Company or at the registered office of Banque Indosuez, 96 boulevard Haussmann, 75008 Paris, France, three days prior to the meeting, i.e. by Sunday, June 5, 1994 at the latest;
- holders of bearer shares will have to attach to the form a certificate issued by the manager of their share account confirming their shareholding;
- shareholders voting by mail will not be entitled to attend the meeting in person or be represented at the meeting by proxy.

The Gerant.

EURO DISNEY S.C.A.

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NOTICE REGARDING EXPORT TO INDONESIA

PT Surveyor Indonesia (PTSI), headquartered in Jakarta, was established in July 1991 to progressively take over Indonesia's Preshipment Inspection Programme from Societe Generale de Surveillance SA (SGS) in line with Transfer of Technology principles.

PTSI, a joint venture between the Indonesian Government and SGS, officially opened its United Kingdom office under the name Surveyor Indonesia (UK) on 1st April 1994. Surveyor Indonesia is committed to providing the same high quality of standards and procedure as has been provided by SGS.

Surveyor Indonesia (UK) is fully operational as of 1st June. While physical inspection will continue to be performed by SGS United Kingdom Ltd, all administrative activities relating to preshipment inspection of Indonesia's imports are being processed by Surveyor Indonesia.

Further announcements about the development of Surveyor Indonesia (UK) will be made in due course. In the meantime, if you have any questions, please contact the Indonesian Department at SGS United Kingdom Limited or Surveyor Indonesia (UK), 3rd Floor, Compass House, 207-215 London Road, Camberley, Surrey. GU15 3EY. Tel: 0276 22161 Fax: 0276 26051

Bank of Scotland Annual Results

	1994	1993
OPERATING PROFIT BEFORE PROVISIONS	£580.2m	£487.9m
PROFIT BEFORE TAXATION	£268.7m	£125.3m
TOTAL CAPITAL RESOURCES	£2,460m	£2,256m*
TOTAL ASSETS	£30,748m	£29,013m*
EARNINGS PER ORDINARY STOCK UNIT	12.2p	5.0p
DIVIDEND PER ORDINARY STOCK UNIT	5.05p	4.57p

BANK OF SCOTLAND
A FRIEND FOR LIFE

COMMODITIES AND AGRICULTURE

Copper pushes through resistance to fresh highs

By Kenneth Gooding, Mining Correspondent

Copper prices took off again yesterday as US fund buying pushed them decisively through technical resistance levels that had held firm last week. Metal for delivery in three months went to $2,277 a tonne, up $47.50, at the close on the London Metal Exchange.

The metal Copper continued its climb in late trading and touched $2,300 a tonne, its highest price in 16 months.

Copper also moved again into backwardation, where a premium is paid for immediate delivery, frequently a sign of supply tightness.

Mr Ted Arnold, analyst at the Merrill Lynch financial services group, in Merrill's monthly metals report, advises copper users "to act now and look to secure at least some forward cover". He forecasts that in the next two to three months copper will trade between $2,000 and $2,315 a tonne.

Ms Leanne Baker and Ms Janet Cochoff, analysts at the Salomon Brothers financial services group, say they expect that "short-term sentiment toward copper will remain bullish, driven by positive technical and seasonal considerations, as well as robust US demand".

They suggest, however, that "supply increases will begin to overwhelm demand during the second half of this year and building into 1995 and 1996." They have raised their average copper price forecast for 1994 from 80 cents a pound ($1,763 a tonne) to 90 cents ($1,984) and their 1995 price estimate from 75 cents a pound ($1,653) to 80 cents.

● The International Wrought Copper Council, an association of consumers, suggests that there will be a "moderate" refined copper supply deficit this year – after taking into account net trade with China and the Commonwealth of Independent States – but adds that preliminary estimates for 1995 indicate supply and demand will be much more closely balanced.

According to the IWCC, refined copper production last year outside the CIS and China increased by nearly 3 per cent to 9.5m tonnes while consumption grew by more than 2 per cent to 9.4m tonnes. It forecasts production will show a "modest" increase of under 1 per cent in 1994 but then jump by nearly 5 per cent to more than 10m tonnes in 1995. Consumption, meanwhile, is predicted to move up by 4 per cent this year and by another 3 per cent in 1995 to more than 10m tonnes.

Chilean plan angers workers

By David Pilling in Santiago

Workers at Codelco, Chile's state copper company, have reacted angrily to a Bill sent to parliament last week that aims to break the company up into separate divisions.

The powerful Federation of Copper Workers (FTC) said it had not been consulted over modernisation plans, which it claimed represented a step towards privatisation. The Bill threatened the constitution, which was amended in 1971 to guarantee that Codelco remained in state hands, it said.

Workers were particularly concerned at the future status of non-core divisions – the Tocopilla power plant and workshops at Rancagua – which, under the Bill, would be allowed to raise private capital.

"We are going to begin a great national movement to defend our inheritance," said Mr Raimundo Espinoza, president of the FTC. The union is forming a commission to analyse the government's proposals and to formulate a response.

The Bill came in response to declining profits at Codelco – largely because of its inability to develop new projects – and to a futures trading scandal that raised questions about the company's structure.

Mr Villarzú, Codelco's president, plans to create a holding company which will oversee the operation of the group's six divisions, including its four mines. Autonomous management teams will be expected to run the divisions as if they were private companies, a strategy designed to cut down on cross-subsidies between separate branches and to raise efficiency.

The bill also seeks to strengthen the role of the board of directors, much criticised for its lack of vigilance over last year's metals futures trading fiasco that led to losses of more than $200m.

Mr Villarzú said the overall aim was to reach annual production of 1.4m tonnes of fine copper by the year 2000 – compared with about 1.1m tonnes in recent years – through increased productivity and the development of new deposits. He denied that modernisation implied a reduction in the number of Codelco's workforce of more than 20,000.

Criticism of the Bill is not confined to Codelco workers. Chile's right wing opposition argues that plans do not go far enough in facilitating the use of private capital, for example in the development of new projects. Mr Sebastian Piñera, a prominent opposition senator, said the government's plan amounted to a dose of "aspirin which will not cure the sickness".

Some on Chile's right have called for the outright privatisation of Codelco, an option entirely ruled out by the government of President Eduardo Frei.

The growing pains of British horticulture

Potential for expansion will be jeopardised if levy-funding of research is abandoned

Horticulture is one of the most under-rated sectors of British food production.

It uses just 4 per cent of the total land area but produces goods with a farm gate value of over £1.7bn, about half the total produced by conventional agriculture on the other 96 per cent of the land, and it does it virtually without European Union support.

Some industry insiders say it could increase output by a further £750m over the next decade, given adequate encouragement and access to potential advances in research and development.

The UK has a horticultural trade gap with other, mainly EU countries, of some £2.3bn a year, so there would appear to be every reason to expand domestic production. Britain imports 36 per cent of the tomatoes consumed in this country, 48 per cent of the roses, 36 per cent of the chrysanthemums and so on.

But this potential expansion – and even the *status quo* – could be threatened if cash for researching and disseminating improved production techniques dried up. The future of such work is in the balance this week, as is the future of the levy-funded Horticultural Development Council, which commissions and co-ordinates much of the "near market" research.

FARMER'S VIEWPOINT

By David Richardson

The HDC is being subjected to its statutory five-yearly review by the Ministry of Agriculture, the outcome of which will determine whether it continues or is wound-up.

Yesterday representatives of about 30 horticulture industry organisations met ministry officials to record their views on the future of the council. Insider information in advance of the meeting suggested that they would back its continuation "to a man". But they represented chiefly large-scale operations. Some of the smaller growers among the 3,000 or so registered horticulturalists are apparently not so happy.

The HDC requires each registered producer with gross sales of more than £25,000 to declare his sales value each year. He is then billed for half of 1 per cent of that gross as his contribution to council-co-ordinated research and development efforts. This raises just under £3m a year which, after modest administration costs, is all spent on selected "near market" research and the transmission of the resulting information to growers.

The ministry, it must be said, spends some £15.5m on research geared to horticulture, although it is mainly basic, as distinct from applied. The HDC claims that if it did not ensure the "application" much of the ministry work would be wasted or, more likely, discontinued.

At a time when some horticulturalists, such as lettuce and tomato growers, are making a loss on every box of produce, however, they are understandably less than enthusiastic about increasing their immediate problems by paying a statutory levy to the HDC.

Some growers are regularly tardy with their payments in any case and over the last two years the HDC has spent over £30,000 on what it calls in its accounts "enforcement costs".

Others, it is alleged, and they are not all small operators whose turnover is below the trigger point, have not registered as growers and therefore also avoid payment of the levy.

All of this raises the hackles of those who do pay promptly – especially during periods of poor or non-existent profits – and leads them to question if the council should be allowed to continue. In response, the HDC says it is working on ways to ensure full registration but that, although the ministry has information on all growers in the UK, it is legally prohibited from making this available to the HDC for policing purposes.

The NFU, in its submission to the review, has identified non-registration as one of the key points that require more attention.

It is, of course, almost inevitable in a volatile and multi-faceted industry, that petty points appear to be major hurdles. For at any time, some of the 80 different crops that fall within the HDC's remit will be giving good returns while others make losses.

Last year, for instance, raspberry growers made a killing because normal supplies from eastern Europe – particularly Yugoslavia, for obvious reasons – were not available. As a result, many UK growers have planted more canes. These will come into full production in two to three years, by which time, we must hope the Bosnians, the Croats and the Serbs may have resolved their difficulties and once again be supplying raspberries to British markets.

Together with the increase in production from the new British canes, this will probably bring about a glut on the market and prices and profits will plummet. That is the way with horticulture.

Stiff competition for the British market is also coming, increasingly, from southern countries within the EU. The climate in Italy, Greece, Spain and Portugal means growers can produce many crops unprotected. In Britain, the same crops can only be grown in expensive greenhouses with artificial heating.

Nevertheless, British horticulturalists claim, domestic produce has qualities that the competition cannot match – qualities that could be further enhanced by the application of R&D. It is widely recognised within the industry that the HDC has done, and is doing, a good job. To most it is inconceivable that it should be wound-up. Indeed, that is the message ministry officials will have heard yesterday.

It is now up to ministers to respond to those representations by the end of June. It is already clear that in the unlikely event that they kill-off grower-funded HDC, the Dutch government-funded research establishment will quickly be knocking on Britain's door. Initially, it will wish to sell its expertise but, very soon, more of its produce, thereby increasing still further the food trade gap, now running at a total of some £6bn a year.

Farm tax resisted in Pakistan

By Farhan Bokhari in Islamabad

Pakistan's federal government has appealed to the country's four provinces to become more active in supporting its initiative to introduce income tax for farmers.

The appeal followed months of speculation over the future of an important decision last year, when farmers were brought under the net of income and wealth tax for the first time in the country's history.

International financial pressure has built up, however, following earlier reports that the provincial governments were proving reluctant to press ahead with the move, fearing a political backlash from the agricultural sector. Pakistan's political structure continues to be dominated by the country's wealthy landowners, who have directly or indirectly influenced the government's decisions.

However, under a three year loan agreement signed with the International Monetary Fund earlier this year, Pakistan has agreed to introduce new reforms to improve its tax structure. Some officials say that a setback to the initiatives on agricultural taxation could make it difficult for the country to persuade its key donors and lending institutions, that its doing enough to improve fiscal management.

MARKET REPORT

Cocoa and coffee surge

Prices of both COFFEE and COCOA soared in late afternoon trading at the London Commodity Exchange yesterday in response to a sudden spurt of speculative buying.

July coffee futures ended $111 up at $2,295 a tonne after touching $2,305, the highest since late 1987.

"It was speculative buying," said one trader. "London triggered the buying and it spread to New York." With no fundamentals justifying the rise an analyst described the coffee market as "hysterical".

Traders said cocoa's late surge, which lifted the July position by £51 to £998 a tonne, was also technically driven and lead by investment fund buying. "But the market still looks very strong," one said, although noting London volumes were fairly low.

GOLD built on its recent rally with a $3.55 rise to $387.75 a troy ounce.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1346.5-7.5	1376-6.5
Previous	1341-2	1369.5-70
High/low	1338/1337	1377.5/1364
AM Official	1338-8.5	1367-7.5
Kerb close		1380-1
Open int.	251,601	
Total daily turnover	38,695	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1340-50	1355-60
Previous	1347-9	1355-6
High/low		1360/1350
AM Official	1330-40	1345-50
Kerb close		1355-60
Open int.	3,608	
Total daily turnover	649	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	484.5-5.5	502-3
Previous	477-8	494-5
High/low		507/491
AM Official	470-1	491-2
Kerb close		507-8
Open int.	36,839	
Total daily turnover	5,421	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6670-5	6758-60
Previous	6365-95	6470-75
High/low	6480	6610/6410
AM Official	6480-5	6568-72
Kerb close		6800-20
Open int.	52,145	
Total daily turnover	15,392	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5590-600	5665-75
Previous	5645-55	5620-25
High/low		5700/5620
AM Official	5585-95	5665-70
Kerb close		5690-700
Open int.	16,516	
Total daily turnover	3,166	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	974.5-5.5	999-1000
Previous	965.5-6.5	989-90
High/low	967	1004/983
AM Official	966.5-7.0	991.5-2.5
Kerb close		1003-4
Open int.	102,031	
Total daily turnover	15,808	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2278-80	2276-78
Previous	2223-4	2229-30
High/low	2231	2301/2193
AM Official	2231-2	2231-2
Kerb close		2298-99
Open int.	206,792	
Total daily turnover	66,496	

■ LME AM Official £/$ rate: 1.5073
LME Closing £/$ rate: 1.5023

Spot1.5055 3 mths:1.5033 6 mths:1.5025 9 mths:1.5023

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
May	106.90	+4.00	107.00	103.90	-	276
Jun	105.60	+4.00	106.80	105.50	-	5
Jul	106.35	+3.90	106.90	103.40	-	172
Aug	105.50	+3.65	105.00	105.00	-	6
Sep	104.65	+3.35	105.45	102.10	-	4
Oct	103.75	+3.20	-	-	-	-
Total					N/A	N/A

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	387.50-388.00	
Opening	386.40-386.80	
Morning fix	386.75	256.415
Afternoon fix	386.45	256.641
Day's High	387.50-388.00	
Day's Low	385.00-385.50	
Previous close	384.00-384.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.96	6 months	4.36
2 months	4.04	12 months	4.84
3 months	4.10		

Silver Fix	p/troy oz.	US cts equiv.
Spot	379.00	571.50
3 months	383.50	577.55
6 months	388.40	584.50
1 year	399.60	601.50

Gold Coins	$ price	£ equiv.
Krugerrand	391-394	259-262
Maple Leaf	395.75-398.25	-
New Sovereign	89-92	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
May	389.6	+3.7	386.5	386.5	-	-
Jun	389.9	+3.6	390.2	386.3	66,509	40,690
Jul	391.4	+3.6	-	-	-	-
Aug	392.9	+3.7	393.4	389.2	31,144	3,696
Oct	396.1	+3.8	396.0	392.8	5,018	72
Dec	399.5	+3.9	400.0	395.6	18,838	5,648
Total					152,490	51,178

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jul	411.6	+5.7	412.0	406.9	16,025	3,053
Oct	414.5	+5.6	415.0	411.0	4,148	284
Jan	416.7	+5.6	415.5	415.5	1,043	48
Apr	418.7	+5.6	-	-	1,075	-
Total					22,292	3,385

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jun	138.40	+1.65	138.75	137.50	2,100	166
Sep	138.85	+1.70	139.00	138.00	2,602	148
Dec	138.85	+1.70	-	-	646	2
Mar	138.65	+2.20	-	-	6	-
Total					5,363	316

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
May	576.1	+13.1	574.5	561.5	245	246
Jun	576.4	+13.0	-	-	3	-
Jul	579.0	+13.0	580.0	562.5	86,300	21,676
Sep	584.2	+13.2	584.0	568.5	9,830	506
Dec	592.0	+13.4	593.0	576.0	14,734	868
Jan	593.7	+13.4	-	-	32	-
Total					125,148	24,096

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	18.29	+0.08	18.57	18.11	18,703	38,141
Aug	17.96	+0.07	18.22	17.81	125,501	77,951
Sep	17.78	+0.05	18.00	17.68	51,670	18,309
Oct	17.75	+0.11	17.87	17.60	30,996	8,356
Nov	17.80	+0.21	17.80	17.54	20,569	3,099
Dec	17.65	+0.09	17.77	17.51	14,004	2,158
Total					422,204	152,411

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	16.60	+0.05	16.79	16.41	66,668	11,627
Aug	16.45	+0.04	16.62	16.31	30,419	22,636
Sep	16.34	-	16.51	16.21	11,721	8,142
Oct	16.30	-0.01	16.42	16.20	7,645	2,161
Nov	16.23	-0.05	16.23	16.20	5,220	1,261
Dec	16.27	-0.01	16.38	16.12	6,018	803
Total					131,647	37,142

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	48.46	+0.13	48.70	48.00	33,014	11,323
Jul	48.75	+0.07	49.10	48.40	34,093	10,457
Aug	49.50	+0.15	49.75	49.25	13,912	3,340
Sep	50.50	+0.20	50.60	50.15	10,922	1,502
Oct	51.25	+0.05	51.25	51.25	8,868	327
Nov	52.30	+0.20	52.60	52.20	5,338	77
Total					148,207	29,785

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	153.00	+1.00	153.75	152.00	27,142	4,485
Jul	153.75	+1.00	154.75	153.00	18,630	1,200
Aug	155.25	+0.75	156.25	154.75	8,342	647
Sep	157.00	+1.00	157.50	156.75	6,931	426
Oct	159.50	+0.75	159.50	159.50	6,551	7
Nov	161.75	+1.00	161.75	161.00	4,007	48
Total					91,376	7,238

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	1.865	-0.039	1.880	1.856	10,595	18,079
Jul	1.938	-0.015	1.950	1.930	24,378	11,841
Aug	2.000	-0.012	2.005	1.995	12,795	2,635
Sep	2.040	-0.015	2.050	2.040	12,339	1,693
Oct	2.110	-0.005	2.108	2.100	6,692	706
Nov	2.205	-0.005	2.205	2.195	10,036	537
Total					128,918	38,683

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jun	52.50	-0.10	53.15	52.40	29,988	11,104
Jul	52.80	-0.11	53.30	52.65	35,134	11,802
Aug	52.73	-0.16	53.20	52.70	14,680	3,633
Sep	52.30	-0.06	52.60	52.30	10,329	1,167
Oct	50.65	-	-	-	3,303	412
Nov	48.60	-0.21	49.65	49.35	2,488	183
Total					98,032	28,626

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	113.60	-0.65	114.00	113.05	657	15
Sep	99.85	+0.10	99.55	99.55	516	29
Nov	100.65	-	101.00	100.65	1,763	2
Jan	102.65	-	103.00	102.65	1,191	165
Mar	104.25	-	-	-	357	49
May	106.20	-	106.20	106.20	-	-
Total					4,736	260

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	336/6	+10/0	338/4	330/0	130,265	39,415
Sep	341/4	+9/6	343/0	336/4	39,055	6,950
Dec	353/4	+10/4	354/0	347/0	46,110	10,970
Mar	357/0	+10/4	357/0	350/0	3,690	530
May	351/0	+9/4	-	-	250	-
Jul	327/0	+3/4	330/0	323/0	700	30
Total					220,066	57,895

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	275/2	+6/4	278/0	271/0	639,785	133,730
Sep	272/2	+8/2	273/4	268/0	169,220	12,860
Dec	267/4	+9/0	268/4	262/4	422,195	75,335
Mar	273/2	+8/2	275/6	270/0	41,225	3,330
May	277/0	+8/2	277/4	274/0	4,930	465
Jul	278/2	+8/4	278/4	274/6	13,010	1,115
Total					1.301M	227,470

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	99.00	+0.75	-	-	170	2
Nov	100.50	+0.75	-	-	275	-
Jan	101.25	-	-	-	30	-
Mar	102.85	-	-	-	10	-
May	104.85	-	-	-	5	-
					5	
Total					490	2

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	732/2	+29/6	732/4	716/0	331,025	164,21
Aug	728/2	+29/6	728/4	713/0	72,750	19,320
Sep	708/4	+30/0	708/4	692/0	42,510	4,960
Nov	693/2	+30/0	693/2	682/0	246,350	84,675
Jan	697/6	+30/0	697/6	686/0	20,910	7,725
Mar	702/2	+30/0	702/2	691/0	7,525	2,725
Total					737,805	288,305

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	30.51	+0.89	30.62	30.10	49,206	8,276
Aug	30.36	+0.88	30.65	30.06	15,333	2,512
Sep	30.12	+0.78	30.34	29.66	10,253	1,739
Oct	29.43	+0.89	29.54	29.00	7,493	368
Dec	28.79	+0.92	28.87	28.38	20,325	2,771
Jan	28.54	+0.94	28.55	28.20	3,110	92
Total					107,972	16,377

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	207.3	+10.0	207.3	202.0	33,551	17,290
Aug	206.3	+10.0	206.3	202.1	15,384	3,227
Sep	204.5	+10.0	204.5	200.8	9,107	883
Oct	202.0	+10.0	202.0	199.0	5,642	1,046
Dec	201.5	+10.0	201.5	198.0	15,486	4,763
Jan	201.5	+10.0	201.5	199.5	1,582	123
Total					82,580	27,747

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	260.0	+10.0	-	-	2	-
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	130.5	+0.1	131.8	129.5	634	21
May	140.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					634	21

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
May	1480	+10	1480	1465	961	9
Jun	1330	+6	1330	1325	740	5
Jul	1232	+1	-	-	738	-
Oct	1300	-5	1300	1300	359	3
Jan	1325	-20	-	-	205	-
Apr	1360	-	-	-	68	-
Total					3,161	17

	Close	Prev
BFI	1500	1501

Tea

The Tea Broker's Association reports, strong general demand. East Africans sold well and prices often advanced 4 to 8 pence and at times more for selected lines. Central Africans were fully firm to dearer. Brighter Zimbabwes and Ceylons appreciated up to 10 pence. Others remained steady. Best available, 240p/kg. nom, good 160p/kg., good medium 135p/kg., medium 118p/kg., low medium 85p/kg. The highest price realised this week was 295p for a Rwanda pf.1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	978	+61	-	-	30	-
Jul	998	+51	1000	947	19,484	2,016
Sep	1017	+50	1017	966	15,199	1,005
Dec	1033	+48	1038	989	25,465	871
Mar	1060	+45	1059	1013	28,067	841
May	1076	+45	1075	1028	10,603	175
Total					110,048	5,108

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1397	+130	1410	1261	37,875	4,577
Sep	1415	+119	1430	1290	17,964	1,099
Dec	1419	+88	1419	1327	8,723	151
Mar	1452	+88	1452	1361	10,658	40
May	1484	+88	1470	1379	4,899	-
Jul	1506	+88	-	-	2,795	-
Total					84,425	5,867

■ COCOA (ICCO) (SDR's/tonne)

May 20	Price	Prev. day
Daily	970.92	982.15
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	2323	+114	2320	2215	489	24
Jul	2298	+112	2305	2175	13,027	1,709
Sep	2264	+99	2280	2151	15,611	682
Nov	2235	+96	2230	2133	5,632	183
Jan	2215	+89	2205	2115	6,312	323
Mar	2155	+78	2078	2076	2,423	7
Total					43,896	2,968

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	139.05	+8.15	139.30	128.10	-	6,143
Sep	136.65	+7.90	136.80	126.25	26,044	3,679
Dec	131.25	+6.00	131.25	123.25	14,595	2,577
Mar	128.00	+6.00	128.00	121.00	10,733	1,154
May	127.25	+6.00	127.25	120.00	5,240	97
Jul	126.25	+6.00	123.00	118.25	635	17
Total					57,379	13,667

■ COFFEE (ICO) (US cents/pound)

May 20	Price	Prev. day
Comp. daily	120.24	121.47
15 day average	104.36	102.07

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.46	+0.29	-	-	2,519	-
Oct	12.53	+0.18	-	-	866	-
Jan	11.82	-	-	-	-	-
Mar	12.12	+0.07	-	-	80	-
Total					3,475	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	350.60	+4.40	350.70	345.80	11,461	1,193
Oct	330.30	+4.80	331.00	326.00	8,440	916
Dec	319.80	+4.40	319.00	316.50	635	29
Mar	317.80	+4.10	318.90	314.90	1,720	150
May	317.50	+3.80	-	-	205	-
Aug	320.10	-	320.50	320.50	215	20
Total					22,680	2,348

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.17	+0.28	12.30	11.89	49,486	18,069
Oct	12.32	+0.28	12.39	12.02	46,577	6,681
Mar	11.95	+0.17	12.01	11.76	21,456	1,440
May	11.89	+0.15	11.94	11.73	3,266	64
Jul	11.78	+0.10	11.73	11.68	1,414	3
Oct	11.69	+0.10	11.70	11.59	590	-
Total					122,850	28,257

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	83.81	+0.01	84.00	82.66	22,180	6,169
Oct	76.56	+0.03	76.75	76.20	5,773	1,393
Dec	75.24	+0.36	75.28	74.85	21,215	4,085
Mar	76.16	+0.36	76.16	75.80	2,696	483
May	76.69	+0.26	76.69	76.45	1,411	555
Jul	76.90	+0.10	76.90	76.90	197	8
Total					53,809	12,693

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	94.10	-1.10	95.75	93.90	14,006	1,224
Sep	96.65	-1.10	98.90	96.60	3,541	718
Nov	97.65	-0.85	98.80	96.75	1,292	37
Jan	99.00	-1.00	100.00	98.75	2,503	112
Mar	100.05	-1.20	102.30	100.05	785	55
May	102.05	-1.20	-	-	24	-
Total					22,153	2,446

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

May 23	May 20	month ago	year ago
1971.8	1975.2	1831.7	1681.4

■ CRB Futures (Base: 4/9/56=100)

May 20	May 19	month ago	year ago
233.69	232.43	221.84	N/A

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	64.425	+0.550	64.800	63.850	23,344	8,381
Aug	65.325	+0.500	65.600	64.825	21,676	6,736
Oct	67.725	+0.200	68.250	67.150	12,542	2,242
Dec	69.025	-0.075	69.400	67.800	9,128	1,868
Feb	69.600	-0.175	70.000	69.300	5,296	893
Apr	71.250	-0.100	71.350	70.800	2,715	319
Total					75,164	20,496

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	49.600	+0.525	49.925	48.500	10,696	3,022
Jul	49.950	+0.275	50.050	49.350	8,817	2,028
Aug	48.425	+0.550	48.500	47.500	4,341	831
Oct	44.375	+0.175	44.850	43.900	2,661	268
Dec	46.225	+0.300	45.300	44.650	2,737	212
Feb	45.150	+0.475	45.200	44.600	621	80
Total					30,296	6,461

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	44.750	-0.350	45.800	44.400	176	65
Jul	45.400	+0.075	46.100	44.600	5,594	2,559
Aug	44.025	+0.275	44.750	43.250	1,933	622
Feb	53.275	+0.375	53.600	51.500	251	61
Mar	52.625	+0.425	52.975	51.500	28	2
May	54.800	+0.300	54.800	53.400	25	13
Total					7,999	3,320

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1325	77	109	23	34
1375	48	80	44	53
1425	27	56	73	79
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2200	139	131	39	71
2250	107	105	57	94
2300	81	83	80	120
■ COFFEE LCE	Jul	Sep	Jul	Sep
1800	500	521	4	57
1850	453	483	7	69
1900	407	447	11	83
■ COCOA LCE	Jul	Sep	Jul	Sep
900	99	128	1	9
925	77	108	4	14
950	56	88	8	21
■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1500	180	-	4	17
1550	131	116	8	26
1600	-	72	18	42

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)

		+or-
Dubai	$15.14-5.19w	+0.09
Brent Blend (dated)	$16.62-6.66	+0.33
Brent Blend (Jul)	$16.48-6.50	+0.085
W.T.I. (1pm est)	$18.06-8.08w	-0.02

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$181-183	
Gas Oil	$152-153	+1
Heavy Fuel Oil	$85-87	
Naphtha	$158-160	+1
Jet Fuel	$163-164	+0.50

Petroleum Argus Estimates

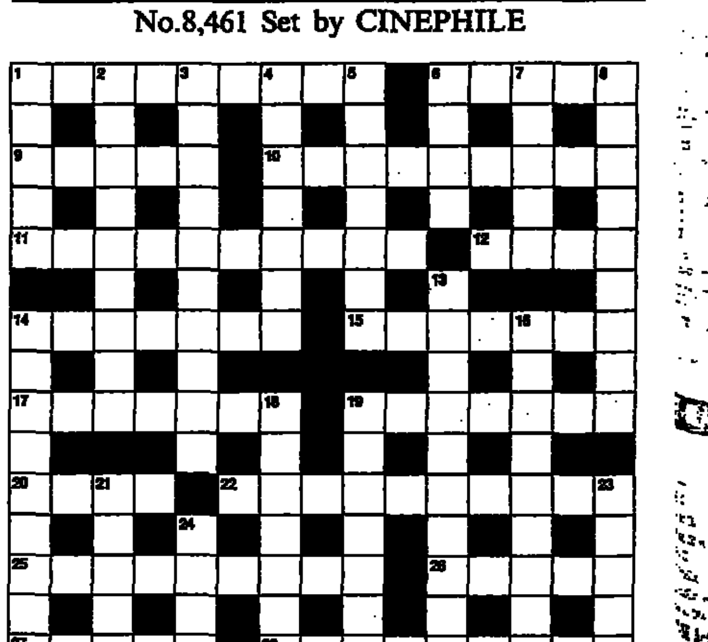
■ OTHER

Gold (per troy oz)♣	$387.75	+3.55
Silver (per troy oz)♣	568.50c	+5.00
Platinum (per troy oz.)	$408.10	+6.60
Palladium (per troy oz.)	$136.85	+1.15
Copper (US prod.)	107.00c	-2.00
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.35r	+0.04
Tin (New York)	261.50c	+3.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	128.38p	-0.31*
Sheep (live weight)†♠	138.04p	-14.03*
Pigs (live weight)	87.63p	+3.70*
Lon. day sugar (raw)	$286.60	-6.60
Lon. day sugar (wte)	$357.00	-1.80
Tate & Lyle export	£302.00	-4.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$140.0	
Wheat (US Dark North)	£185.0	+5.0
Rubber (Jun)♥	70.75p	
Rubber (Jul)♥	71.00p	
Rubber(KL RSS No1 Jun)	254.50m	-1.00
Coconut Oil (Phil)§	Unq.	
Palm Oil (Malay.)§	$510.0y	+10.0
Copra (Phil)§	$410.0	
Soyabeans (US)	£193.0z	
Cotton Outlook A Index	86.80c	+0.40
Wooltops (64s Super)	425p	-2

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jun/Jul. y Jun. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,461 Set by CINEPHILE



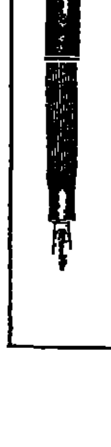
ACROSS

1 Father gets through sort of joint with joiner (5-4)
6 Beat in bath robe (5)
9, 23 Young amphibians follow playing card with chessman (5',6)
10 Metal from Amazon here? (5)
11 Derby town with sailors could be cathartic (5,5)
12 See 20
14 Weep about stupid student in stupid way (7)
15 Take a bit (7)
17 Drunk as an amphibian when young (7)
19 Young amphibian destroyed old tape (7)
20, 12 Amphibian has places planned for overspills (3,5)
22 I use my horn to stir Jerome or Bosch (10)
25 Loves ruin becomes loathing (9)
26 Back start of a trunk road that doesn't finish as main artery (5)
27 Take land from ocean next time (5)
28 Old Tory politician to depart with sea beast (9)

DOWN

1 Resentment at the top, say (5)
2 Newspapers go for Scotsmen for conscription agency (5,4)
3 Circus chiefs look-alike eating nuts (4-6)
4 Where things are bound to be shelved (7)
5 Dressing in short phases under columns (7)
6, 24 Amphibian, female, indulgent, gets wild flower (5)
7 Extend for further period for about three points (5)
8 Money first before garment (5)
13 Limit of property by law, land register briefly shows (6,4)
14 California country air coming up in reactor (9)
16 Forcibly remove amphibian next month (9)
18 Be ill and be vocal about it for sport (7)
19 Having the top seat, was in harmony – about time (7)
21 Textile for Welsh baker? (5)
23 See 9
24 See 6 down

Solution to Saturday's prize puzzle on Saturday June 4.
Solution to yesterday's prize puzzle on Monday June 6.



Of broking and jobbing the Pelikan's fond.
See how sweetly he puts your word onto bond.

Pelikan

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Sharp setback at the close of a quiet session

By Terry Byland, UK Stock Market Editor

The holiday closure yesterday of markets in Germany and France left London to bear the brunt of a setback in global bond prices following comments from the president of the Bundesbank. Herr Tietmeyer's comment that the Bundesbank was not following a step-by-step cut in interest rates for the time being brought sharp falls in UK gilts, US Federal bonds and German bunds as inflation fears resurfaced in fixed interest markets.

UK stocks, which had been no more than mildly easier at mid-afternoon, fell sharply after New York opened, bringing the FT-SE 100 Share Index at one time to within 6.4 points of the 3,100 mark from which the London market has been struggling to escape for the past six weeks.

The final reading on the FT-SE Index of 3,108.4 showed a fall on the day of 18.9. The Footsie stock index future quickly fell below 3,100, showing a discount to the underlying stock market.

Traders hastened to point out that, in the absence of the leading European markets, London stocks had been only lightly traded and that prices for many leading stocks had been barely tested.

Bond prices will face a more significant test this morning when German markets re-open and brace themselves for both this week's money market repo auctions and M3 money supply figures.

However, it was clear yesterday afternoon that UK stocks remained highly vulnerable to developments in bond markets, especially in the US Federal bond sector.

Account Dealing Dates		
*First Dealings: May 16	Jun 6	Jun 20
Option Declarations: Jun 2	Jun 16	Jun 30
Last Dealings: Jun 3	Jun 17	Jul 1
Account Day: Jun 13	Jun 27	Jul 11

*New time dealings may take place from two business days earlier.

With gilts easier from the opening of trading, share prices had slipped from a firm start to show a 6 point loss on the Footsie. But trading volume was slow and it was left to individual company situations to provide the highlights. News of a modest reduction in Britain's non-EC trade deficit helped bond and share prices to steady briefly.

In spite of a modest increase in business following Herr Tietmeyer, the day's Seaq total of 417.1m shares was around 40 per cent down on the day. Friday's 708.2m shares were worth £1.38bn in retail business.

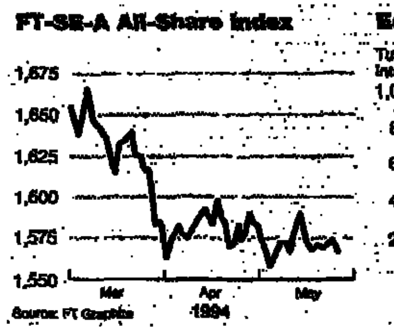
As usual, the late-afternoon downturn was led from the futures markets, and the broader markets were to some extent left behind. The FT-SE Mid 250 Index closed only 5.3 off at 3,709.3 having moved only narrowly throughout the trading session.

Among the international stocks, Eurotunnel units weakened as the market sensed that some institutions were calling for a unusually large discount on the £850m rights issue widely expected later this week. Unexpectedly good trading figures helped British Airways, although enthusiasm was restrained by uncertainty over the prospects for Airway's $400m investment in USAir.

The renewed concern over inflationary pressures on interest rate policies was discouraging for many consumer stocks, and the mood was not helped by a trading report from Ladbroke, the hotels and casino group. Breweries and food manufacturing shares gave ground and some building and construction stocks, with fortunes closely tied to interest rate prospects, also turned lower, albeit in very thin trading.

This week, the second of an extended three week trading account in UK equities, brings a batch of trading reports from leading British companies which will be scanned for evidence of the progress of the domestic economy.

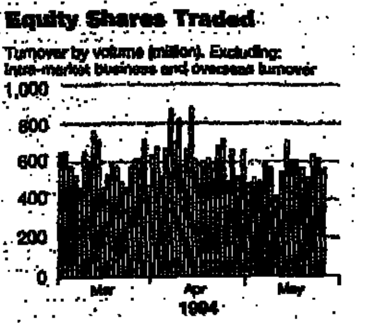
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3108.4	-18.9	FT Ordinary Index	2459.9	-13.1
FT-SE Mid 250	3709.3	-5.3	FT-SE-A Non Fins p/e	20.04	(20.13)
FT-SE-A 350	1574.6	-7.8	FT-SE100 Fut Jun	3090.0	-31.0
FT-SE-A All-Share	1566.58	-7.30	10 yr Gilt yield	8.03	(7.96)
FT-SE-A All-Share yield	3.74	(3.72)	Long gilt/equity yld ratio:	2.20	(2.19)

Best performing sectors		Worst performing sectors	
1 Water	+1.1	1 Tobacco	-2.2
2 Engineering, Vehicles	+0.4	2 Leisure & Hotels	-1.7
3 Oil, Integrated	+0.3	3 Transport	-1.2
4 Household Goods	+0.3	4 Insurance	-1.1
5 Electronic & Elec Eqpt	+0.2	5 Printing, Paper & Pckg	-1.1

Betting fall hits Ladbroke

Starkly differing trading statements from two of Britain's biggest hoteliers saw the respective shares record predictably opposite fortunes yesterday.

Ladbroke caused the most surprise as the annual meeting revealed a downturn in its credit betting business and disappointing performance from its Hilton hotels division. The veiled profits warning put the shares under immediate pressure as leisure analysts lopped around 8 per cent from their current year forecasts, pulling back to the £135m-145m range, and several also downgraded their performance rating.

"What is worrying is that the problems are in two of Ladbroke's core businesses," commented one formerly bullish analyst. The shares ended a torturous session 16½ down at 182½p, the worst performing FTSE 100 stock, with turnover a hefty 8.9m, the biggest in the market.

In contrast, Forte produced a positive agm statement, which although less detailed than Ladbroke's, said that trading was improving through longer occupancies and firmer room rates. Forte shares moved ahead on the news but fell back with the market to close unchanged at 232p.

Airways steady

Shares in British Airways firmed 1¼ to 379p, in trade of 6.3m, as the group reported full-year profits in line with market expectations and a better than expected earnings per share figure.

Profits for the year to March 1994 rose by £116m to £301m and dealers were particularly relieved by the lack of what one trader called "nasty shocks". They were also encouraged by the upbeat results presentation and a bullish outlook to trading prospects.

Mr Ian Wild at BZW was encouraged by the results especially because "there were no surprises in the figures." He is maintaining his current year profits forecast at £400m, although shaved his earnings per share estimate by 10 per cent to 28p due to the change in the tax charge.

Water shares, heavily bought as the market closed last Friday, made further rapid progress yesterday as the market began to hunt for indications of the preliminary "K factors" which were made known by Ofwat, the industry regulator, to the water companies last Friday. The water sector reporting season starts tomorrow with results from North West Water, which the market expects to deliver a dividend increase of around 8 per cent. North West shares added 5 at 510p.

Among the other water stocks, Severn Trent moved up 7 to 507p, Thames put on 6½ to 497½p and Anglian 3 to 496p. Yorkshire outpaced the rest of the sector climbing 15 to 513p.

The electricity stocks rose strongly at the outset following a buy recommendation from Salomon Brothers, the US broker, but quickly ran out of steam to close with modest falls on the day. And there was plenty of stock around in the generators where PowerGen dropped 11 to 487p.

Shares in Thorn EMI were weak ahead of today's finals, off 18 at 1096p, although turnover was thin. Profits are forecast at £330m-340m, compared with £286.3m last year. Granada slid 10 to 517p amid talk of problems being encountered in the merger with LWT.

Profit-takers took the shine from Marks and Spencer ahead of its annual results today, the shares slipping 2½ to 424½p. Analysts are forecasting a rise in profits of around 17 per cent to around £865m. However, Northern Foods, a supplier to M&S, rose 5 to 221p on hopes of good figures from the stores group.

Negative weekend press reports hit Signet, the former Ratners group, and the shares retreated 5½ to 39p with turnover 7m.

Home shopping group Betterware slipped 5 to 123p after a slight improvement in profits to £14.1m came in at the bottom end of market expectations.

A positive trading statement from Lloyds Chemist helped the shares put on 2 to 327p. The company, which was making the announcement ahead of an analysts visit this week, reported sales ahead 15 per cent to over £800m in the 46 weeks to May 14.

Tesco held steady at 223p, down just a half-penny, with dealers citing upgrades from UBS and Credit Lyonaise Laing. Argyll Group firmed 2 to 250p ahead of results tomorrow.

Enterprise Oil drifted back 6 to 422p as the market continued to ponder the prospects of a cash alternative to the all-paper bid for Lasmo launched two weeks ago. Lasmo shares, however, held at 157p on the lowest turnover seen for many months.

Reports that British Gas may float its domestic and business gas supply operation failed to trigger any big action in Gas shares which eased a penny to 285½p.

Bargain hunters helped aerospace and automotive components group Lucas Industries bounce 5 to 180p, on volume of 4.5m. Fairey Group also gained to 754p, with James Capel reported to have recommended the stock.

News that airports operator BAA was interested in acquiring some of Australia's main airports together with some concerns on the trading outlook for the group, left the shares trailing 16 to 964p.

Channel tunnel operator Eurotunnel slumped 20 to 355p, as the market braced itself for an £850m rights issue, higher than originally indicated by the company.

Royal Bank of Scotland was one of the worst performers among the big UK banks, the shares sliding 12 to 418p on reasonable turnover of 1.8m, as the bank revealed it is expanding its business in the US. Dealers said the market jibbed at the news. "any moves by UK banks in the US tend to worry analysts in the UK," said one. Standard Chartered was another poor performer and also came in for some determined selling, the shares retreating 9½ to 244p on 2.9m traded.

Switching operations left Barclays 5 off at 541p and NatWest marginally firmer at 456p. There were good gains, however, for TSB, up 3 at 222p and Abbey National, 4 up at 409.

SG Warburg, the only merchant bank in the FT-SE 100 index, eased 4 to 724p ahead of preliminary figures expected this week. Analysts are looking for a 14 per cent increase in the dividend total. Kleinwort Benson edged up 5 to 472p in the wake of switching out of Warburg.

A big jump in profits at Domino Printing sent the shares racing forward 27 to 517p. First half profits rose from £3.7m to £5.4m.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (43).

GILTS (1) BANKS (1) Tokai, BUILDING & CNSTRN (2) Jackson, Shoco, BLDG MATLS & MCHTS (3) Baggeridge Brick, Hewetson, Johnston, DISTRIBUTORS (3) ELECTRNC & ELECT EQUP (1) Acorn Computer, ENGINEERING (4) Domnick Hunter, Kobe Steel, Symonds, Torday & Carlisle, EXTRACTIVE INDS (3) HOUSEHOLD GOODS (1) Bilston & Battersea, INVESTMENT TRUSTS (1) Primadona, INVESTMENT COMPANIES (1) MEDIA (4) OIL EXPLORATION & PROD (1) OIL, INTEGRATED (1) OTHER FINANCIAL (1) Guinness Peat, OTHER SERVS & BUSNS (2) PHARMACEUTICALS (1) Brit. Bio Wts., PRTNG, PAPER & PACKG (2) Tinsley Robor, Wyndeham Press, PROPERTY (3) Bucknall, Helical Bar, Warnford Inv., RETAILERS, GENERAL (2) French Connection, House of Fraser, SUPPORT SERVS (1) Admiral, AMERICANS (1) CANADIANS (1).

NEW LOWS (91).

GILTS (2) BANKS (1) BREWERIES (1) Fosters, BUILDING & CNSTRN (1) Raine, BLDG MATLS & MCHTS (3) Tarmac, Wickes, DISTRIBUTORS (1) Davenport Vernon, ELECTRNC & ELECT EQUP (2) ENGINEERING (3) EXTRACTIVE INDS (1) Mount Burgess, FOOD MANUF (2) Booker, Unilever, HEALTH CARE (1) Life Sciences, HOUSEHOLD GOODS (2) Relyon, Tomkinsons, INSURANCE (5) Bradstock, Finsbury, GRE, Independent, Lowndes Lambert, INVESTMENT TRUSTS (21) INVESTMENT COMPANIES (1) LEISURE & HOTELS (3) Granada, Millwall, Ticketing, LIFE ASSURANCE (2) MEDIA (2) News Intl., United Newspapers, OTHER FINANCIAL (4) PHARMACEUTICALS (1) Glaxo, PRTNG, PAPER & PACKG (3) Clondalkin, De La Rue, Field, PROPERTY (1) Hambro Countrywide, RETAILERS, GENERAL (3) SUPPORT SERVS (3) Microgen, Salvesen (Ch), TEXTILES & APPAREL (2) Albion, Richards, TRANSPORT (4) AMERICANS (3) CANADIANS (2).

EQUITY FUTURES AND OPTIONS TRADING

Comments by the President of the Bundesbank sent bond markets into retreat and stock index futures crashing through the 3,100 support level in thin trading in the derivatives, *writes Joel Kibazo*.

The first trade in the June contract on the FT-SE 100 futures contract was struck at 3,130, just ahead of the cash market. However, this soon changed as June faltered on sporadic selling mainly from independent traders.

But trading remained very thin indeed and less than 1,000 contracts had been dealt by 9.30am and just over 2,500 lots had been traded by lunch.

June was now trading at a substantial discount but it was the comments from the Bundesbank President that sent the contract falling through the 3,100 support level, as both the bond markets and Wall Street reacted to the comments. Dealers also reported increased arbitrage activity as the premium between the cash and the cash market widened.

The contract closed at 3,085, a 22 point discount to cash on poor volume of 7,320.

In traded options, dealers reported the least active session this year as total volume fell to 17,690 lots. The FT-SE 100 option traded 7,285 lots and the Euro FT-SE option 2,985 lots. No stock option traded more than 1,000 lots with the most active British Aerospace at 603 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3130.0	3090.0	-31.0	3130.0	3085.0	7320	50692
Sep	3135.5	3105.5	-31.5	3135.5	3105.5	137	4333
Dec	-	3116.0	-31.0	-	-	0	201

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3710.0	3705.0	2.0	3720.0	3710.0	52	4300

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Jun		3,705.0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3107) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Jun	157	10½	116½	19½	73½	33½	43	54	23	85½	11	123½	5	171½	2	221½
Jul	171½	25	135	38	101½	54½	73½	78½	51½	105½	33	139½	18½	178½	10	223
Aug	197	44	159½	57½	128	76	98½	97	76	125	52	155	38½	192	25½	231
Sep	208½	54	174½	68½	149½	89	115½	110	92	187½	69½	168½	51½	201½	36½	239
Dec†			214	105½			184	143			187½	198½			70½	261

Calls 3,229 Puts 4,115

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Jun	172½	7½	128½	13	88½	23½	55½	41	31½	66	15½	100½	7½	141½	3	186½
Jul	189½	18½	151	30	116	43½	86	64	59	88	41½	118½	28	153	18½	193
Aug	204	28½	168	41½	135½	58½	107	79½	83	104½	63	134	46½	167	33½	203½
Sep	223	45½			164	75			99½	118			57½	175		
Dec†	261	76			195½	107			141	149½			99½	202½		

Calls 1,101 Puts 1,759 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3700	3750	3800	3850	3900	3950	4000	4050
May	17½ 13½	2 47	94					

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	May 23	Day's chge%	May 20	May 19	May 18	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3108.4	-0.6	3127.3	3122.8	3116.5	2825.6	3.95	6.63	18.05	40.79	1156.89
FT-SE Mid 250	3709.3	-0.1	3714.6	3713.5	3711.7	3168.4	3.32	5.56	21.73	40.66	1362.61
FT-SE Mid 250 ex Inv Trusts	3719.4	-0.1	3723.9	3723.5	3721.5	3201.0	3.45	6.01	20.31	41.40	1382.14
FT-SE-A 350	1574.6	-0.5	1582.4	1580.8	1578.0	1411.1	3.80	6.38	18.79	19.87	1199.16
FT-SE SmallCap	1922.50	-0.1	1923.48	1920.33	1921.12	1610.95	2.89	4.14	29.69	19.16	1475.44
FT-SE SmallCap ex Inv Trusts	1898.22	----	1898.58	1896.00	1896.93	1623.53	3.05	4.58	27.19	19.55	1458.90
FT-SE-A ALL-SHARE	1566.58	-0.5	1573.88	1571.99	1569.61	1397.91	3.74	6.22	19.30	19.48	1213.91

■ FT-SE Actuaries All-Share

LONDON EQUITIES

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	61	9
Other Fixed Interest	4	10	1
Mineral Extraction	97	25	79
General Manufacturers	133	134	397
Consumer Goods	27	55	109
Services	91	115	307
Utilities	18	11	17
Financials	109	66	202
Investment Trusts	43	119	308
Others	38	54	34
Totals	562	650	1463

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	May 23	Last Declarations	Sept 1
Last Dealings	June 10	For settlement	Sept 12

Calls: Avesco, Birse, LBMS, Premier Cons, Rexmore, Standard Platform, Symonds Eng, Tullow Oil. Puts: NHL. Puts & Calls: JLI, Rexmore, Tullow Oil.

TRADING VOLUME

■ Major Stocks Yesterday

LIFFE EQUITY OPTIONS

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FT GOLD MINES INDEX

FINANCIAL TIMES EQUITY INDICES

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22⅜	-⅛	£25¼	£21⅜	6,626	5.0	♦
ANZ A$		230¼	+4½	278¼	214¼	3,089	3.9	18.1
Abbey National	N□	409	+4	523	395½	5,786	4.3	13.7
Allied Irish I£	♣N□	251	—	314	241	1,864	5.0	9.8
Anglo Irish I£	♣N□	63	—	*70	53	182.4	8.3	9.4
Asahi Y		752	+6¾	758¾	628	17,460	0.7	—
Banco Bil Viz Pta		£16⅞	-⅛	£18¼	£14⅜	3,999	5.2	7.2
Banco Sant Pta		£30¾	—	£34¾	£29⅜	3,368	4.5	♦
Bk Ireland I£	♣□	200xd	—	*319	246	1,226	4.8	♦
Bank Scotland	♣♦N□	185xd	-1	247	180	2,166	3.4	16.2
9¼pc Pf		121¼xd	+½	141½	115¾	121.2	9.5	—
9¾pc Pf		126½xd	—	148½	122	128.5	9.6	—
Barclays	♣N□	543	-5	640	487	8,802	3.5	22.4
Dai Ichi Kan Y		£12⅞	+⅛	£12⅞	£10⅞	40,278	0.4	71.4
Deutsche DM		£306⅝	-1⅝	£344¼	£297⅞	14,801	2.0	—
Espirito Santo		£18⅝	+⅛	£26½	£18¼	208.4	4.1	4.7
First Nat Fin	N□	76	—	*80	60	125.9	2.5	—
6.3pc Cv Pf		84	—	*90	77	6.85	9.4	—
7pc Cv Pf		148½	—	171	123	70.6	5.9	—
Fuji Bank Y		1534½	+38	1546¾	1152½	44,142	0.4	—
HSBC HK	N□	772	—	1138	687	13,558	3.8	13.3
HSBC (75p Stg)	N□	758xd	-1	1113	668	6,365	3.9	13.0
Lloyds	N□	585	-1	680	532	7,368	4.8	11.9
Mitsubishi Y		£17⅞	+⅛	£18⅝	£15⅝	60,614	0.3	—
Mits Tst & Bk Y		1014¼	-2½	1045	887½	13,207	0.5	18.3
Mitsui Tst & Bk Y		783¾	+15¾	871¼	514	9,390	0.7	28.7
Nat Aust A$	†	594¾	+6¾	620¼	537¾	7,902	4.1	14.1
NatWest	♣N□	458	+1	622	434	7,587	5.1	10.4
Ottomane FFr		528	-2	533	525	125.0	5.8	♦
[illegible]		[illegible]						

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£28½	.....	£28½	£13½	1,692	2.8	19.4
Barlow		951₂	+½	95½	83½	1,006	6.4	9.3
Gold Flds Prop R		88	-3	188	78	9.88	11.3	7.8
MK Props	s	90	.....	95	87	3.62	9.9	37.0
SASOL	♥	318	+4	392	280	1,788	5.0	–
SA Brews		£13⅝	+⅜	£15¾	£10	7,486	2.0	22.9
Tiger Oats	†	665	.....	635	538	1,833	2.3	14.4
Tongaat-Hulett	†	636	.....	636	434	471.5	2.4	17.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT6710. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availabilty.

FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 stg.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	6	160.6	162.2	170.8	-0.30	0.65
AIB Grofund Equity	5	229.6	232.9xd	246.4	-2.50	1.03
AIB Grofund Euro	6	205.9	207.6	218.5	+4.00	0.11
AIB Grofund Ext Balanced	3	113.8	115.3	119.5	-0.60	1.46
AIB Grofund Gilt	3	75.86	75.89	78.24	-0.33	8.78
AIB Grofund Japan	6	188.3	190.0	200.0	+1.50	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	455.0	458.7	498.5	-0.9	2.48
General Acc	5	520.4	522.2	555.6	-1.1	2.48
UK Growth Acc	6	347.3	351.5xd	374.4	-1.0	2.89
UK Growth Inc	6	241.2	244.4xd	260.0	-0.7	2.89

Capital House Unit Tst Mgrs (1200)F
Capital House, Festival Square, Edinburgh.
031-228 4477 Dealing 0800 [illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth Tst	6	35.85	36.17	38.65	+0.45	0.23
American Gwth Tst Acc	6	38.18	38.39	38.81	+0.45	0.23
Cash Acc	0	62.29	62.29xd	62.29	+0.02	5.08
Do Income	0	60.04	60.04xd	60.04	+0.02	5.08
European Gwth	6	41.50	41.60	44.20	+0.28	0.96
Income & Gwth Acc	6	29.88	30.21	32.30	+0.23	4.19
Do Income	6	27.16	27.38	29.28	+0.2	4.19
Intl Gwth	6	31.73	31.73xd	33.93	+0.07	0.61
Japan Gwth	6	29.57	29.67	31.82	+0.12	-
Managed Tst Acc	6	51.08	51.17	54.72	+0.34	1.68
Do Income	6	49.58	49.66	53.11	+0.33	1.53
Oriental Opps Acc	6	148.5	150.3	160.7	+3.5	-
Do Income	6	144.6	146.3	156.4	+3.5	-
Property Shares	6	41.22	43.33	46.34	+0.01	0.61
Smaller Cos	6	32.58	32.58	34.81	+0.05	1.32
UK Growth Tst	6	25.29	25.41xd	27.20	+0.34	2.30
Royal Scottish Assurance						
Roy Scot/Cap Inc Gtd Acc	6	77.01	77.28	82.63	-0.02	2.02
Do Income	6	72.18	72.36	77.39	-0.02	2.02
Roy Scot/Cap Bag UK Acc	6	70.51	70.84	75.07	-0.23	2.71
Do Income	6	65.46	65.86	70.45	-0.22	2.71

Fidelity Investment Servs Ltd - Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Funds						
ASEAN	5¼	60.28	61.17	65.25	-0.04	0.00
American	5¼	231.4	231.8	248.2	-0.20	0.00
Amer Spec Sits	5¼	105.6	105.6xd	112.7	-0.10	0.00
Japan Smaller Cos	5¼	48.25	48.58	48.44	+0.06	0.00
European	5¼	169.7	169.3	180.1	+0.30	0.00
European Opps	5¼	63.78	64.01	68.07	+0.14	0.00
UK Growth	5¼	85.81	86.29	92.29	-0.19	0.00
Global Privatisation	5¼	23.82	23.82	25.18	+0.07	0.00
Growth & Inc	5¼	151.9	151.9	161.6	-0.80	2.22
Intl PEP	5¼	35.37	35.69	37.98	-0.02	0.00
Japan Spec Sits	5¼	102.4	102.4	109.3	+0.70	0.00
Japan	5¼	214.0	214.0	228.5	+1.10	0.00
Managed Intl	5¼	272.4	272.4	291.1	-	0.00
Moneybuilder	5¼	53.05	53.65	57.06	+0.05	0.00
Recovery	5¼	48.13	47.42	50.43	+0.02	0.00
South E Asia	5¼	185.0	185.8	193.4	-0.70	0.00
Special Sits	5¼	524.2	537.3	571.3	+1.10	0.00
Specialist Funds						
UK Index	5¼	108.8	108.8	112.6	-0.60	2.74
UK Reverse Index	5¼	78.48	78.48	82.67	+0.43	4.06
Europe Index	5¼	110.5	110.5	118.6	-0.30	4.20
Europe Reverse Index	5¼	67.32	67.32	70.81	+0.09	7.69

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS Dealing 071-280 2860

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	198.0	198.0	210.0	-0.58	0.00
(Accum Units)	5	211.6	211.6	225.1	-0.59	0.00
American Opps	5	85.00	86.31	92.66	+0.28	0.00
(Accum Units)	5	86.87	87.38	93.30	-0.34	0.00
British Blue Chip	5	78.00	78.00xd	83.00	-0.38	3.63
(Accum Units)	5	94.42	94.42xd	100.5	-0.07	3.63
Cash *	0	100.4	100.4	100.4	-	4.74
(Accum Units) *	0	134.3	134.3	134.3	+0.10	4.74
Emerging Markets	5¼	120.5	121.7	130.9	+1.40	0.00
(Accum Units)	5¼	120.5	121.7	130.9	+1.40	0.00
European Growth	5	254.7	254.7	270.0	+1.40	0.59
(Accum Units)	5	274.2	274.2	290.7	+1.50	0.59
European Income	5	87.28	87.28	92.36	+0.53	2.84
(Accum Units)	5	114.3	114.3	120.9	+0.70	2.84
General	5	503.9	504.2	537.8	-2.70	2.25
(Accum Units)	5	978.3	978.9	1042	-5.00	2.25
Global Bond	5	123.8	123.8	130.2	+0.20	6.12

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Funds						
UK Exempt	5¼	254.19	255.90	272.78	+0.72	2.82
Overseas Exempt	5¼	259.21	260.12	276.21	+1.43	0.01

Pilgrim Unit Trust Mngmt Ltd (0830)F
30 Pilgrim Street, Newcastle upon Tyne NE1 6RQ
Administration & Dealing:
Unit Trust Accounting & Management Ltd
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	6	98.46	100.41	106.82	+0.89	-
European	6	71.90	72.513	77.14	-0.27	0.00
Global	6	66.63	68.15	72.5	+0.16	-
Pacific	6	67.78	68.73	73.12	+0.02	0.00
UK Income & Growth	6	63.80	65.47	69.65	+0.11	1.99
UK Inc & Gwth Acc	6	68.95	70.65	75.16	+0.12	1.36

Painton York UT Mngrs (0800)F
The Crescent, King St, Leicester LE1 6RX 0533 650540

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
BN Director Dealings	5¼	98.31	102.58	108.28	-0.16	-

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	217.5	229.1	+0.1	-
UK Equity	300.1	[illegible]	-0.6	-
American	248.4	261.6	+0.6	-
Pacific	380.1	400.9	+0.7	-
European	489.0	515.5	-1.3	-
International	318.4	335.3	+0.1	-
Fixed Interest	232.2	244.6	-1.0	-
Index Linked	191.1	201.2	-0.5	-
Deposit	190.9	201.1	+0.1	-
Managed	286.1	301.2	-0.3	-
Worldwide	127.7	134.5	-0.3	-
With Profits Pens	91.3	96.2	+0.1	-
Pens. Property	255.1	268.7	+0.2	-
Pens. UK Equity	420.5	442.7	-0.6	-
Pens. American	277.3	292.6	+1.0	-
Pens. Pacific	438.2	461.4	+0.2	-
Pens. European	590.8	621.9	-2.2	-
Pens International	377.3	397.2	+0.1	-
Pens. Fixed Int	292.4	307.9	-1.1	-
Pens. Index Linked	207.6	218.6	-0.6	-
Pens. Deposit	256.5	270.1	+0.1	-
Pens. Managed	345.0	363.2	-0.2	-
Pens. Worldwide	136.1	143.4	-0.3	-

Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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Royal Bank of Canada Int'l Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Fidelity Funds - Contd.

Thornton Investment Management Ltd

S.G. Warburg Asset Mngmt Lux SA

Global Funds Management S.A. (z)

Global Futures & Options SICAV

H.C.M. HYPO Capital Mgt Luxembourg SA

Unico Financial Services SA Lux

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund-SICAV (z)

Enigma Investments Ltd – Cayman

The Environmental Investment Co Ltd

Ermitage Group

Jardine Fleming Unit Trusts Ltd - Contd.

Putnam Embassy Funds Ltd

Putnam International Advisers Ltd

Quantum Group

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

German rate gloom

Pessimism over the outlook for German interest rates dominated markets again yesterday following further cautionary comments from the Bundesbank, *writes Philip Gawith.*

Mr Hans Tietmeyer, the Bundesbank president, was quoted as saying in Helsinki: "We are not following a step-by-step cut in interest rates for the time being." This followed various comments last week suggesting a slowing in the pace of German monetary easing.

The December euromark contract finished yesterday at 94.68, 21 basis points below the Friday close, and 44 basis points down over the last two trading days.

The trend in the futures market was at odds with the cash market, where call money rates still favour a substantial lowering of the repo rate. This led some observers to speculate that the Bundesbank might slow the pace of monetary easing by announcing a fixed rate repo, possibly as early as today.

Trading on the foreign exchanges was generally fairly quiet, with most European markets closed for a holiday. The D-Mark was stronger against the yen and the Italian lira.

The Bank of Israel said it would raise short term rates by 0.5 per cent on Thursday, with the rate on the daily monetary tender rising to a minimum 10.8 per cent.

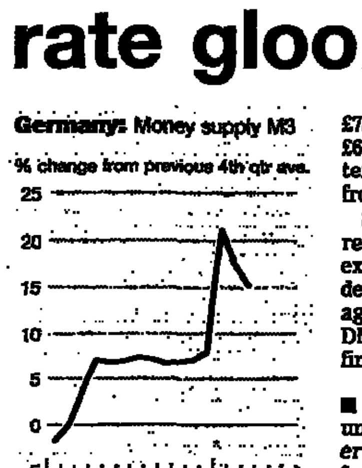
■ The bearish tone to futures markets forced some market participants to reconsider their view that the market had turned a corner last week, and entered a more bullish phase.

But analysts said the market had overreacted to Mr Tietmeyer's comments, which were seen as no more than a repetition of what he had said last week. Business was fairly quiet until his comments provoked a flurry of activity, with the December contract ending up trading more than 69,000 lots.

Euromark futures are currently pricing in a rise in interest rates by June and September. Mr Tony Norfield, UK treasury economist at ABN-AMRO, described these rates as "completely crazy". He said he was "not prepared to see this as a fundamental move." Although economists have been revising up their forecasts for German growth, Mr Norfield said these remained modest and were not an argument against further interest rate cuts.

Germany: Money supply M3

% change from previous 4th qtr ave.



Source: Datastream

■ **Pound in New York**

May 23	—Latest—	– Prev. close –
£ spot	1.5070	1.5050
1 mth	1.5061	1.5041
3 mth	1.5048	1.5028
1 yr	1.5024	1.5000

The sharp movement in the futures market has not been mirrored in the cash markets, with overnight money currently trading at 5.0/5.12 per cent. This creates a policy dilemma for the Bundesbank, because these rates are well below the current repo rate, of 5.23 per cent, and this would normally favour another substantial fall in the repo rate.

Were this to happen, however, the Bundesbank could be forced to lower official rates again quite soon, contrary to what Mr Tietmeyer has been saying.

Ms Phyllis Reed, European bond strategist at BZW, argues that the solution to this conundrum may lie in the Bundesbank returning to fixed rate repos as a method of slowing the fall in interest rates.

■ Gloom in the euromark contracts spilled over into short sterling, where the December future lost 8 basis points to close at 93.99. Volumes were light.

In the UK money markets, the Bank of England supplied late assistance of £125m after forecasting a shortage of £750m. Earlier it had provided £616m of liquidity to the system. Overnight rates moved from 4 to 5¾ per cent.

Sterling showed little response to the better than expected April non-EU trade deficit. It closed at DM2.4789 against the D-Mark, from DM2.4856. Against the dollar it finished at $1.5064 from $1.5098.

■ The dollar had another uneasy day, with Mr Tietmeyer's comments doing no favours for the US currency. It closed in London at DM1.6456, from DM1.6463, against the D-Mark, and Y104.400 against the yen, from Y103.910.

Mr Tim Yetman, head of proprietary trading at Natwest Markets, said the dollar continued to trade very softly. "If this is a rally, it is not very impressive," he noted. With investors increasingly wary about the outlook for US asset markets, Mr Yetman said it was difficult to see why people would buy more dollars.

The dollar could weaken further today if the German April M3 number is a poor one. This would bolster arguments for a slower pace of easing, and lend support to the D-Mark.

■ The D-Mark continued its recent rally against the yen, closing at Y63.45 compared to Y62 on May 18. Mr Avinash Persaud, head of currency research at JP Morgan (Europe), said the markets seemed to be responding to the threat of another election in Japan, and the possibility of a trade agreement with the US.

He said investors were fearful to sell the yen against the dollar, but were positive about the outlook for the D-Mark, with German interest rates seen to be close to the bottom.

The lira also slipped yesterday, to close at L966.1 from L959.4 on Friday. Analysts said the poor performance recently of the bond and equity markets had encouraged investors to take profits.

■ **OTHER CURRENCIES**

May 23	£	$
Hungary	154.917 - 155.120	102.860 - 102.980
Iran	2634.00 - 2640.80	1748.00 - 1750.00
Kuwait	0.4487 - 0.4500	0.2979 - 0.2987
Poland	33646.3 - 33732.8	22340.0 - 22380.0
Russia	2838.06 - 2848.80	1884.00 - 1891.00
U.A.E.	5.5307 - 5.5338	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

May 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
[illegible]	[illegible]	[illegible]	-0.0001	377 - 387	1.5400	1.5355	1.5375	0.6	1.5372	0.3	1.5392	-0.1	-
[illegible]	[illegible]	[illegible]	-0.0175	585 - 580	3.6790	3.6505	3.6728	-5.1	3.7011	-4.8	3.7778	-3.3	-
[illegible]	[illegible]	[illegible]	-0.035	800 - 000	4.9000	4.8800	4.9237	-8.3	4.9825	-7.6	-	-	-
[illegible]	[illegible]	[illegible]	-	000 - 100	806.300	806.000	809.05	-4.5	812.55	-3.2	831.05	-3.1	-
[illegible]	[illegible]	[illegible]	+0.025	500 - 600	26.8700	26.8400	26.875	-0.9	26.915	-0.9	-	-	-
[illegible]	[illegible]	[illegible]	-0.01	700 - 800	25.2000	25.1600	25.2475	-3.5	25.375	-3.2	25.855	-2.7	-

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

... in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market ... UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 20. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.00	16.61	4.859	1.984	4694	5.453	21.03	502.4	400.2	22.62	4.159	1.960	4.071	2.952	308.3	2.525
Denmark	(DKr)	52.62	10	8.742	2.557	1.044	2470	2.869	11.07	264.3	210.6	11.90	2.189	1.031	2.142	1.553	162.2	1.328
France	(FFr)	60.19	11.44	10	2.925	1.194	2826	3.282	12.66	302.4	240.9	13.61	2.504	1.180	2.460	1.777	185.6.	1.520
Germany	(DM)	20.58	3.911	3.419	1	0.408	966.1	1.122	4.328	103.4	82.37	4.655	0.856	0.403	0.838	0.608	63.45	0.520
Ireland	(I£)	50.42	9.581	8.375	2.450	1	2367	2.749	10.60	253.3	201.8	11.40	2.097	0.988	2.052	1.488	155.4	1.273
Italy	(L)	2.130	0.405	0.354	0.104	0.042	100.	0.116	0.448	10.70	8.526	0.482	0.089	0.042	0.087	0.063	6.568	0.054
Netherlands	(Fl)	18.34	3.485	3.047	0.891	0.364	860.9	1	3.857	92.13	73.40	4.148	0.763	0.359	0.747	0.541	56.54	0.463
Norway	(NKr)	47.55	9.036	7.899	2.310	0.943	2232	2.593	10	238.9	190.3	10.75	1.978	0.932	1.936	1.404	146.6	1.200
Portugal	(Es)	19.91	3.783	3.307	0.967	0.395	934.5	1.085	4.187	100.	79.67	4.503	0.828	0.390	0.810	0.588	61.37	0.503
Spain	(Pta)	24.99	4.748	4.151	1.214	0.496	1173	1.362	5.255	125.5	100.	5.651	1.039	0.490	1.017	0.738	77.03	0.631
Sweden	(SKr)	44.21	8.402	7.345	2.148	0.877	2075	2.411	9.298	222.1	176.9	10	1.839	0.867	1.800	1.305	136.3	1.116
Switzerland	(SFr)	24.04	4.569	3.994	1.168	0.477	1129	1.311	5.057	120.8	96.23	5.438	1	0.471	0.979	0.710	74.13	0.607
UK	(£)	51.02	9.696	8.476	2.479	1.012	2395	2.782	10.73	256.3	204.2	11.54	2.122	1	2.077	1.506	157.3	1.288
Canada	(C$)	24.56	4.668	4.081	1.194	0.487	1153	1.339	5.166	123.4	98.31	5.556	1.022	0.481	1	0.725	75.73	0.620
US	($)	33.88	6.438	5.628	1.646	0.672	1590	1.847	7.125	170.2	135.6	7.663	1.409	0.664	1.379	1	104.4	0.855
Japan	(Y)	324.3	61.64	53.88	15.76	6.434	15226	17.69	68.21	1629	1298	73.36	13.49	6.357	13.20	9.574	1000.	8.188
Ecu		39.61	7.528	6.581	1.925	0.786	1869	2.160	8.331	199.0	158.5	8.960	1.648	0.776	1.613	1.169	122.1	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6071	0.6058	-0.0019	0.6084	0.6057	39,054	122,661
Sep	0.6069	0.6052	-0.0009	0.6069	0.6052	2,400	9,176
Dec	-	0.6077	-	-	-	86	318

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9617	0.9595	-0.0027	0.9640	0.9590	18,667	57,770
Sep	0.9675	0.9663	-0.0016	0.9675	0.9660	670	6,007
Dec	-	0.9761	-	-	-	95	917

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7107	0.7095	-0.0028	0.7122	0.7092	16,091	41,115
Sep	0.7137	0.7104	-0.0018	0.7137	0.7104	709	2,680
Dec	-	0.7162	-	-	-	3	337

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5044	1.5060	+0.0004	1.5100	1.5044	15,849	44,067
Sep	1.5066	1.5040	+0.0030	1.5070	1.5040	522	2,492
Dec	-	1.5030	-	1.5050	-	12	59

EMS EUROPEAN CURRENCY UNIT RATES

May 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.809628	0.787417	+0.000012	-2.82	6.37	18
Netherlands	2.19672	2.16706	-0.00055	-1.35	4.99	-
Belgium	40.2123	39.7540	+0.0191	-1.14	4.77	8
Germany	1.94964	1.93138	-0.00046	-0.94	4.56	-
France	6.53883	6.60509	-0.00797	1.01	2.54	-8
Denmark	7.43679	7.55293	-0.01106	1.56	1.98	-11
Spain	154.250	159.648	+0.37	3.50	0.07	-24
Portugal	192.854	199.750	+0.396	3.58	0.00	-24
NON ERM MEMBERS						
Greece	264.513	291.059	+3.504	10.04	-5.87	-
Italy	1793.19	1851.80	+2.3	3.27	0.30	-
UK	0.786749	0.774800	+0.000501	-1.52	5.17	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.425	8.11	8.09	8.21	-	0.04	0.25
1.450	5.69	5.85	6.13	-	0.24	0.60
1.475	3.31	3.81	4.27	0.09	0.69	1.20
1.500	1.41	2.22	2.74	0.63	1.53	2.15
1.525	0.36	1.12	1.68	2.07	2.86	3.46
1.550	0.03	0.48	0.98	4.18	4.71	5.19

Previous day's vol., Calls 25,105 Puts 37,798. Prev. day's open int., Calls 495,582 Puts 437,879

WORLD INTEREST RATES

MONEY RATES

[illegible]

■ **$ LIBOR FT London** [illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate [illegible]

■ **THREE MONTH EURODOLLAR** (LIFFE) $1m points of 100% [illegible]

■ **THREE MONTH EUROMARK FUTURES** (LIFFE) DM1m points of 100% [illegible]

■ **THREE MONTH EUROLIRA INT RATE FUTURES** (LIFFE) L1000m points of 100% [illegible]

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100% [illegible]

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100% [illegible]

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100% [illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100% [illegible]

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100% [illegible]

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100% [illegible]

UK INTEREST RATES

LONDON MONEY RATES

May 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¾ - 4	5 - 4¾	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5⅜ - 5¼	5 13/16 - 5 11/16
Sterling CDs	-	-	5 1/16 - 4 31/32	5 3/16 - 5 1/16	5¼ - 5⅛	5⅜ - 5 9/16
Treasury Bills	-	-	4⅞ - 4 13/16	4⅞ - 4 27/32	-	-
Bank Bills	-	-	4⅞ - 4 13/16	4 15/16 - 4⅞	5⅛ - 5 1/16	-
Local authority deps.	4 11/16 - 4 9/16	4 15/16 - 4 13/16	5 - 4⅞	5⅛ - 5	5 3/16 - 5 1/16	5 11/16 - 5 9/16
Discount Market deps	5½ - 4¾	4 15/16 - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¾pc.
Ave. tender rate of discount 4.7450pc. ECGD fixed rate Stlg. Export Finance. Make up day April 29, 1994. Agreed rate for period May 25, 1994 to Jun 25, 1994, Schemes II & III 6.66pc. Reference rate for period Apr 1, 1994 to Apr 29, 1994, Schemes IV & V 5.286pc. Finance House Base Rate 5½pc from May 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.71	94.71	-0.02	94.73	94.69	5324	67334
Sep	94.43	94.39	-0.06	94.45	94.35	9122	91551
Dec	94.06	93.99	-0.08	94.07	93.95	11199	121891
Mar	93.56	93.49	-0.09	93.58	93.43	4024	54034

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9450	0.22	0.15	0.13	0.01	0.26	0.64
9475	0.04	0.07	0.07	0.08	0.43	0.83
9500	0.01	0.03	0.03	0.30	0.64	1.04

Est. vol. total, Calls 1625 Puts 2140. Previous day's open int., Calls 175580 Puts 156957

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williman Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

30-90 day notice available Tel 061-[illegible]

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

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Oslo, Norway — Monday, June 6
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Zurich, Switzerland — Wednesday, June 8
Geneva, Switzerland — Thursday, June 9
Milan, Italy — Friday, June 10
Paris, France — Monday, June 13

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The Financial Times plans to publish a Survey on Norway on Wednesday, June 22.

This Survey will be an overview of Norway, providing a comprehensive analysis of the economic and political situation, together with in-depth comment on key areas such as Norway's EU Membership, Oil & Gas, Banking, Manufacturing and Shipping.

FT Surveys

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 20 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (May 20 / Frs.)

[illegible]

DENMARK (May 20 / Kr)

[illegible]

FINLAND (May 23 / Mka)

[illegible]

FRANCE (May 20 / Frs.)

[illegible]

GERMANY (May 20 / Dm.)

[illegible]

ITALY (May 23 / Lire)

[illegible]

NETHERLANDS (May 20 / Fls.)

[illegible]

NORWAY (May 20 / Kroner)

[illegible]

SPAIN (May 23 / Pts.)

[illegible]

SWEDEN (May 20 / Kronor)

[illegible]

SWITZERLAND (May 20 / Frs.)

[illegible]

PACIFIC

JAPAN (May 23 / Yen)

[illegible]

AUSTRALIA (May 23 / Aust$)

[illegible]

HONG KONG (May 23 / H.K.$)

[illegible]

MALAYSIA (May 23 / MYR)

[illegible]

SINGAPORE (May 23 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (May 20 / Can $)
Closed May 23

Sales	Stock	High	Low	Close	Sales	Stock	High	Low	Close
717066	AmBarr	34¼	$34¼	32⅞	63380	PetCan	13	$13¼	13
23400	AtcoCl	14¼	$14¼	14	22100	PhilEx	8⅞	[illegible]	8
1000	Avenor	20¼	$20¼	20	1206550	PIDome	32¼	$32⅞	31
47244	BCSugA	8⅞	$8	8⅞	86485	PowrCp	21¼	$21⅞	20⅞
15780	BC Tel	25½	$25⅞	25½	30800	PowrFn	32¼	$32¼	[illegible]
651732	BCE	48¼	$48½	48⅛	7100	RayrkY	19	$19	19
700	BCE Mb	38½	$38½	38½	900	RelmS	17¼	$17¼	17
15426	BGR A	15¼	$15⅞	15¼	285	Rothmn	79½	$80	79½
7394	Bmnswk	8⅞	[illegible]	8⅞	255500	RngOil	9¼	$9¼	9⅛
180242	BkMont	26	$26¼	25⅞	7600	ReadSt	20¼	$20¼	20¼
138882	BkNovS	27½	$27¼	27⅞	355517	Ren En	30¼	$30¼	30¼
35987	BeamEx	229	234	228	32248	Repap	420	435	420
99825	BmbdrB x	20⅛	$20½	20¼	3990	Rigel	19⅞	$19⅞	19⅛
2178940	BowVal	15	$15¼	14⅞	104830	RioAlg	25½	$25⅞	25½
780111	Bramlea	30½	31	30	113920	RogCmB	19¼	$19⅞	19¼
675657	BracnA	19¼	[illegible]	19⅞	222711	RoyBkC	27⅞	$28	27⅞
5350	Bmcor	26	$26	25⅞	69617	RoyOak	6	$6	5¼
14700	CAE	7⅛	$7⅞	7	450	ScottP	11⅝	$11⅝	11⅞

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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MONTREAL (May 20 / Can $)
Closed May 23

[illegible]

AFRICA

SOUTH AFRICA (May 23 / Rand)

[illegible]

■ TOKYO - MOST ACTIVE STOCKS: Monday, May 23, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	17m	369	+3	Sumitomo Mtl Ind	6m	299	+4
NKK	14m	284	+10	Kawasaki Hvy Ind	5m	434	+13
Kawasaki Steel	11m	401	+4	Ricoh	4m	904	+24
Kobe Steel	8m	303	+4	Sanyo Elec	4m	527	+10
M'bishi Hvy	7m	714	+6	Komatsu	4m	967	+14

INDICES

[illegible]

Nikkei 300 (1/10/82)	302.90	300.37	298.78	304.25 1/3		289.22 4/1	
Topix (4/1/68)	1654.21	1642.54	1634.40	1664.21 23/5		1445.97 4/1	
2nd Section (4/1/68)	2317.81	2324.19	2320.32	2330.98 18/5		1873.33 4/1	
Malaysia							
KLSE Comp.(4/4/86)	998.10	1001.16	1002.98	1314.46 5/1		928.33 4/4	
WORLD							
MS Capital Int (1/1/70)$	620.0*	621.	619.5	641.80 1/2		591.69 4/4	
CROSS-BORDER							
Eurotrack 100(26/10/90)	1448.42	1458.87	1486.18	1549.19 31/1		1393.80 2/3	
Euro Top-100 (26/6/90)	1259.78	1263.63	1267.13	1371.01 2/2		1202.49 2/3	
JCapelDgne (31/12/86)	(u)	325.66	320.20	365.19 5/1		290.28 21/3	
Barings Emerg.(7/1/92)	155.82	156.27	152.18	182.72 14/2		141.65 21/4	

■ CAC-40 STOCK INDEX FUTURES (MATIF) May 20

	Open	Sett.Price	Change	High	Low	Est. vol.	Open Int.
May	2164.0	2165.0	+49.0	2175.0	2149.0	16,956	22,422
Jun	2149.0	2138.0	-	2157.0	2134.0	1,677	36,796
Jul	2146.5	2135.5	-	2146.5	2146.5	1	1,050

Open interest figures for previous day.

** Sat May 21: Taiwan Weighted Price 5831.18; Korea Comp Ex 946.13. Base values of all Indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 20 - 2238.97

US INDICES

Dow Jones	May 20	May 19	May 18	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3766.35	3758.98	3732.89	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.84	97.85	97.58	105.61 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1600.98	1618.86	1594.36	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	183.89	184.02	184.02	227.86 (3/1)	177.76 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3786.76 (3782.92) Low 3721.84 (3707.72) (Theoretical♦)
Day's high 3768.19 (3762.66) Low 3740.87 (3723.99) (Actual♦)

Standard and Poors	May 20	May 19	May 18	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	454.92	456.48	453.69	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	530.58	531.91	528.14	560.59 (2/2)	510.05 (21/4)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	45.19	45.46	45.34	48.56 (31/1)	41.39 (4/4)	48.40 (25/8/93)	8.64 (1/10/74)
NYSE Comp.	251.58	252.16	250.73	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	438.20	437.04	434.90	487.89 (2/2)	427.60 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	726.70	727.31	721.90	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	May 13	May 6	Apr 29	Year ago
Dow Jones Ind. Div. Yield	2.76	2.77	2.76	2.97
	May 18	May 11	May 4	Year ago
S & P Ind. Div. yield	2.48	2.54	2.48	2.52
S & P Ind. P/E ratio	24.06	23.52	23.99	26.25

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	454.90	453.85	-0.95	454.90	453.80	53,414	192,777
Sep	456.20	456.25	-0.90	456.40	456.20	2,867	20,153
Dec	-	459.30	-	-	459.30	70	7,821

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	5,273,500	60⅛	+¾
Philip Morris	5,158,600	53¾	+2½
ATT	3,887,800	38⅝	—
IBM	3,738,700	62¼	+1
Gen Elec	3,407,200	47½	-¾
Wal-Mart	3,374,600	23¼	-¼
Chrysler	3,335,400	48⅜	+1½
Amoco	3,098,100	58¼	+2
Pier One	2,823,700	8⅝	+½
Ford	2,740,000	60	+⅞

■ TRADING ACTIVITY

● Volume (million)

	May 20	May 19	May 18
New York SE	295.160	303.650	337.580
Amex	15.046	16.206	8.758
NASDAQ	283.618	335.751	305.490
NYSE			
Issues Traded	2,813	2,816	2,828
Rises	1,006	1,297	1,633
Falls	1,138	861	685
Unchanged	669	658	530
New Highs	29	38	38
New Lows	43	40	51

† Corrected fig for May 18 - 2975.18 Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Trans. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅜	14½	AAR	0.48	3.3	487	45	14¾	14⅝	14⅝	-⅛
16⅞	13⅜	A L Labs A	0.18	1.3	31	96	13¾	13½	13½	-⅛
65¾	57⅝	AMP	1.68	2.6	23	1552	u65¾	65	65⅛	
72¾	52½	AMR			28	1875	55¾	55	55⅛	
5	3⅝	ARX			14	304	4⅜	4⅛	4¼	
56⅛	38½	ASA x	2.00	4.5	28	1480	44¾	42⅝	44½	+1½
30⅝	25⅜	AbbotL	0.76	2.6	17	8646	29⅞	28¾	29	-⅝
13¾	11⅜	AbitibiPr	0.50	4.0	9	507	12⅝	12¼	12½	+¾
13¾	11⅛	Acptncein			22	74	12⅜	12	12⅜	
31	24½	ACE Ltd	0.44	1.6	4	457	28½	28	28⅛	-⅜
12½	10⅛	ACM Gvt In	1.09	10.2		379	10⅞	10¾	10¾	-⅛
10⅛	7⅞	ACM GvOpp	0.80	9.2		54	8⅝	8½	8⅝	
10⅝	8⅜	ACM Gvt Sp	0.96	11.5		402	8⅝	d8⅜	8⅜	-⅛
12	9⅛	ACM Gvt Sp	1.09	10.9		749	10	9½	10	+¼
11¾	8¾	ACM Mae	1.08	11.5		138	9⅜	9¼	9⅜	+⅛
9¼	8	ACM Mgd	0.72	8.5		180	8½	8⅜	8½	+⅛
15½	8¾	AcmeClv	0.44	4.2	12	128	11¼	10½	10½	-⅜
8½	7	Acme Elect			4	68	7	d6⅝	6¾	-¼
28¾	23	Acordia	0.60	2.1	14	17	u28¾	28⅜	28⅜	
9⅜	5¾	Actava	0.36	4.3	2	358	8⅝	8⅛	8⅜	+⅛
15¾	11¼	Acuson			118	400	15⅛	14¾	15⅛	+¼
18⅜	16½	Adams Expr x	0.48	2.8	0	115	17⅛	16⅞	16⅞	-⅛
64	46½	Ad Micro	3.00	5.5		96	54¾	54⅜	54⅝	+⅝
31¾	16¾	AdvMic	3.00	11.5	11	6757	26⅛	25⅞	26	+¼
6⅞	5	Advest Grp	0.16	3.0	8	126	5⅜	5¼	5⅜	+⅛
20	16⅞	Advo Inc	0.10	0.6	110	89	17¼	16½	16½	-⅜
57¼	49⅜	Aegon ADR	2.85	5.4	12	6	54½	54⅜	54½	-⅛

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Continued on next page

4 pm close May 23

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27	19¼	Safeway			24	639	24⅝	23⅞	24	-⅛
6⅝	4¾	SafewayWBS				41	5¾	5⅝	5¾	+⅛
57⅞	50¼	StJoePaper	0.20	0.4	280	15	55¼	54⅞	55¼	
30¼	26½	StJoeL&P	1.80	6.3	14	28	28⅝	28¼	28⅝	+⅜
90	75⅜	StPaul	3.00	3.9	7	1736	78¼	76	77⅛	-½
9⅝	6⅞	Salant Crp			7	105	6¾	d6¼	6¼	-⅛
49⅞	37¾	Sallie Mae	1.40	3.5	8	6816	40⅞	39¾	40⅛	+⅛
13⅞	11⅞	Salomon Br	0.28	2.3		310	12⅝	12¼	12⅜	
52¾	44¾	Salomn	0.64	1.2	7	2238	52⅝	52½	52⅛	-⅜
25	18⅝	SnDgGE	1.52	7.7	10	847	19⅞	19½	18⅝	-⅛
10	7½	SantaFeERs	0.16	1.9	8	648	8⅞	8½	8⅝	-⅛
40	34½	SantaFePac	2.80	7.7	17	20	36½	36	36¼	
26¼	19¾	SantFeP	0.10	0.4	12	2863	22⅝	22¼	22⅜	
26	20⅛	SaraLee	0.64	2.9	15	5721	22⅝	22	22⅛	+½
50⅛	42¼	Scana Corp	2.82	6.4	11	125	44¾	43¾	44⅛	-⅜
20½	13¾	Scecrp	1.42	10.3	9	6607	14¼	d13¾	13¾	-⅜
40½	34¼	SchererRP			27	278	36½	35½	36½	+⅞
69⅞	54½	SchrPl	2.04	3.2	15	2306	64⅝	63½	63¾	-⅝
61½	50¾	Schlmb	1.20	2.1	23	1968	57⅞	56¾	57⅜	
33	25¼	Schwab(C)	0.28	0.9	14	1271	31¼	30⅞	31	-¼
10¼	6⅛	Schwitzer			22	197	8½	7½	8	-⅜
36⅞	24⅞	SciAtl	0.12	0.3	74	4170	u37⅝	34⅝	37	+1⅞
16⅞	13⅛	Scotman	0.10	0.7	13	31	14⅞	14⅝	14½	-⅛
47⅞	37¼	ScottP x	0.80	1.7	12	3256	u48½	47½	48	+⅛

NASDAQ NATIONAL MARKET

4 pm close May 23

AMEX COMPOSITE PRICES

4 pm close May 23

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FINANCIAL TIMES

AMERICA

Dow stumbles as rates worries resurface

Wall Street

Concern over rising interest rates resurfaced in the US stock markets yesterday morning, as share prices followed bonds sharply lower, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was down 28.55 at 3,737.80, while the more broadly based Standard & Poor's 500 dropped 1.72 to 453.20.

In the secondary markets, the American SE composite was off 0.56 at 437.64, and the Nasdaq composite shed 1.33 to 735.37.

There was no fresh economic news yesterday to drive stocks. However, the break in the release calendar served to fix investors' focus on the bond market, which was experiencing solid losses. The dollar was holding fairly steady, but prices of gold and other commodities were up sharply, a concern for investors in fixed-rate instruments such as government securities.

The renewed weakness in bonds, after last week's firmer trend, was more than enough to trigger a downward adjustment in share prices, following a 107-point net jump in the Dow industrials in the previous five sessions.

But yesterday's decline may have reflected a shift in sentiment that ran deeper than a desire to book profits after a rally. Investors seemed to be growing increasingly concerned that the bear market in bonds, triggered by the Federal Reserve's shift in monetary policy in early February, was not brought to a halt by last week's fourth move by the central bank to tighter money.

The upturn in the financial markets since Tuesday's rate increase was built on the widespread perception that the Fed would hold off on further rate actions until the end of the summer. But rising commodity prices and the soft dollar were now clouding the outlook and complicating the strategic perspective among equity investors.

Among the cyclicals, Procter & Gamble dropped $1¼ to $54½ and 3M shed $1 to $50¾. In the energy sector, Atlantic Richfield lost $1⅜ to $101⅜ and Chevron $1¼ to $87⅛.

Amid the general decline, there was at least one bright spot. Shares in Gerber Products surged $15⅝, or about 45 per cent, to $50¼ on the announcement that Sandoz, the Swiss pharmaceuticals house, had agreed to buy the baby-food maker for $3.7bn, or $53 a share.

The news excited speculation that more takeovers in the sector were in the offing, helping to lift the share prices of other food processing groups. CPC International gained $1⅝ to $47⅞ and Quaker Oats advanced $1⅛ to $66⅞.

Kodak also outperformed most of the market. The stock climbed $1 to $46⅝ after a federal court lifted long-established restrictions on the company's marketing activities.

● Toronto was closed for a public holiday.

Brazil

São Paulo rose 2.5 per cent in lackluster midday trade as investors became hesitant after a mild rally shortly after the opening. The Bovespa index was up 521 at 20,838 at 1 pm in turnover of Cr180.8bn ($106.6m).

Telebras preferred rose 2.2 per cent to Cr59.50, while the Vale do Rio Doce preferred traded 5.5 per cent higher at Cr143.50 after news that the mining group had trimmed its losses to $8 million in the first quarter of 1994, against a $41 loss in the same period last year.

Mexico

Mexican stocks extended last week's gains. At first, trading was light, and marked by cautious optimism, but by mid-morning the IPC index of 37 leading shares had gained 21.89, or 0.9 per cent to 2,439.19.

ASIA PACIFIC

Trade hopes take Nikkei 1.1% higher

Tokyo

Hopes of a breakthrough for the US-Japan bilateral framework talks on trade, combined with an easing of the yen, prompted active buying. The Nikkei index advanced by 1.1 per cent, led by a rise in large-capital shares, *writes Emiko Terazono in Tokyo.*

The 225 average rose 226.54 to 20,568.71, and the Topix index by 11.67 to 1,654.21. Profit-taking dropped the Nikkei to a low of 20,328.07 in the morning session, but buying emerged later as the yen fell to the Y104 level; the index rose to a high of 20,574.91 just before the close.

Volume totalled 360m shares against 355m. Trading by arbitrageurs, overseas and domestic investors supported activity. The Nikkei 300 rose 2.13 to 302.50, gainers led losers by 621 to 380 with 179 unchanged and, in London, the ISE/Nikkei 50 index rose 1.52 to 1,355.04.

Mr Yasuo Ueki at Nikko Securities said that the strong rise in large capital stocks reflected buying by domestic institutions. However, whether the index can sustain its current level to rise further depends on the amount of trading volume, said another broker.

Large capital steels and shipbuilders were traded heavily. Nippon Steel, the most active issue of the day, rose Y3 to Y369, NKK gained Y10 to Y284 and Mitsubishi Heavy Industries advanced Y6 to Y714.

Takuma, an industrial machinery maker, rose Y50 to Y1,660 on hopes of a rise in profits for the current business year to next March.

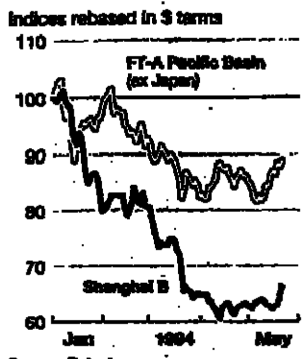
Nippon Telegraph and Telephone fell Y16,000 to Y827,000 on continued selling. The stock has lost 7.2 per cent since the beginning of last week, before the government decided to freeze all planned increases in public sector prices, including a rise in local call rates on Wednesday.

Non-life insurance companies, which were also lower on the freeze of the expected increase in fire insurance rates, rebounded. Tokio Marine and Fire Insurance rose Y10 to Y1,340 and Mitsui Marine and Fire Insurance rose Y32 to Y863.

Retailers were lower on profit-taking. The sector has been strong recently on hopes of a recovery in consumer confidence. However, economists expect that household spending data, due to be announced this week, will reflect continued sluggishness. Seiyu lost Y50 to Y1,370 and Nichii declined Y60 to Y1,490.

In Osaka, the OSE average rose 111.94 to 22,619.59 in volume of 17.6m shares.

China



Source: Datastream

Roundup

A quiet session was seen in many Pacific Rim markets as investors awaited fresh incentives.

SHANGHAI's B share index, however, rose 4.6 per cent as the renewed confidence that emerged last week brought local and foreign investors back as buyers. The index, which had fallen by 40 per cent since the beginning of the year, rose 3.06 to 70.24 in heavy volume of 14.3m shares, against a recent daily average of 6m.

MANILA shrugged off last week's worries and advanced 1.8 per cent on aggressive buying of blue chips. The composite index rose 51.85 to 2,922.17 in volume that eased to 751.4m shares from Friday's 1.5bn.

HONG KONG saw profit-taking erase early gains and the Hang Seng index, 141 points higher at one stage, ended 41.85 lower at 9,589.78. Turnover tumbled from HK$7.36bn to HK$4.22bn.

HSBC topped the active list and gained 50 cents to HK$91. It was followed by Cheung Kong, which lost 50 cents to HK$39.25, as the group denied press reports that it was bidding for London's Broadgate office complex.

SYDNEY revived during the afternoon to close firmer on a buoyant gold sector. The All Ordinaries index closed up 17.1 at 2,121.0, while the gold marker rose 68.8 or 3.1 per cent to 2,314.1 after the rise in the bullion price.

Among gold stocks, Placer Pacific leapt 24 cents to A$3.09, Samantha rose 30 cents to A$5.30 and Newcrest jumped 21 cents to A$6.82.

TAIPEI was lightly lower in slow, narrow trade, as investors remained on the sidelines after a week of falls. Brokers said that the market was ripe for a technical rebound after the weighted index lost 13.50 to 5,817.68, turnover falling to T$31.14bn from Saturday's T$32.52bn.

BOMBAY was lower in very quiet trade in response to last week's refusal by the Securities and Exchange Board of India to dilute tough conditions for the resumption of the *badla*, or carry forward system of trading.

The BSE 30-share index closed 46.44 lower at 3,737.23.

SEOUL was easier for the third consecutive session in mixed trading with persistent blue chip consolidation overshadowing the market. The composite index lost 0.69 to 945.50.

SINGAPORE was mixed in sluggish trading ahead of a market holiday tomorrow and the Straits Times Industrials index rose 2.39 to 2,389.31.

JAKARTA was in bullish mood with foreign and local investors buying heavily across a range of stocks and the JKSE index rose 10.37 to 498.36.

KUALA LUMPUR finished easier after another dull session as lack of fresh factors depressed investors. The composite index closed 2.06 lower at 990.10 in volume of 68.7m shares.

BANGKOK was marginally higher in thin trade as most investors remained on the sidelines because of a lack of direction. The SET index closed 0.48 up at 1,338.59 in turnover that shrank to Bt6.2bn after Friday's Bt9.5bn as institutional investors slow down their buying.

Growth prospects lift Japan's OTC stocks

Small is beautiful again, writes Emiko Terazono, but strategists like cyclicals long term

Small is beautiful again in Japan. Since the beginning of this year, the country's over-the-counter stock market has gained 28.1 per cent on prospects of high growth against an 18.4 per cent rise in the Nikkei 225.

The current attractions of the OTC market are different from those of 1990, when it climbed to a record high before plunging on profit taking. That upsurge was supported by investment funds looking for alternative investments, which ploughed in money without proper research. Some OTC companies were valued on their land holdings rather than earnings.

The current buzz word is growth. With years of slow growth ahead for the Japanese economy and the large blue chip companies, the OTC market is now regarded as virtually another emerging market, along with the small south east Asian stock markets.

Recent profit announcements have supported the theory. According to Nihon Keizai Shimbun, the business daily, pre-tax earnings for leading OTC companies are showing an advance of 14.7 per cent against a fall of 19.5 per cent for all listed companies.

The new consumer trend towards cheaper prices has given OTC companies extra scope. For example, Sari, a discount liquor store chain, has boosted its profits by offering its own, economy-priced house brand. The shares have risen by 80 per cent since their initial listing to the current Y4,500.

With the Ministry of Finance's ban on listings lifted and Japan's Securities Dealer Association eager to allow five to six companies to list every week from next month, the scope for investment on the OTC market is expected to widen this year.

However, investors need to be aware of the high risk factor surrounding these stocks. The market became a playground for speculators during the 1990 rally, since prices could be manipulated easily due to the lack of liquidity; and lax disclosure requirements, leading to unexpected bankruptcies, have left many investors nervous.

Mr Craig Chudler, managing director of Thomas Norton Associates, an investment research company specialising in small Japanese companies, says that OTC companies are different animals from their larger peers, usually headed by a maverick entrepreneur and needing in-depth, individual analysis.

Meanwhile, while strategists do not deny that OTC growth stocks are a buy, analysis suggests that larger, cyclical stocks may have longer term appeal.

Mr Rod Smyth, strategist at Baring Securities, says that OTC stocks have more or less discounted the growth factor for now, and that the greater profit surprises which will push share prices higher will be in the larger blue chips.

The return of domestic institutional investors to the market also points to a rise in interest in the larger companies, since the large financial institutions are loath to invest in high risk instruments. Mr Smyth advises: "Investors who dump the larger stocks now for smaller OTC shares may miss the boat."

EUROPE

Milan down by 2.4% as liquidity dries up

Most senior bourses were closed for the Whit Monday holiday. In London, the FT-SE Eurotrack 100 index indicated a gentle, and almost general downtrend and, with Wall Street lower, neither Milan nor Madrid were disposed to argue at the end of the European day.

MILAN added to last week's declines with a further 2.4 per cent fall, although some late buying helped to pick shares up from their lowest levels. The Comit index, which lost 18.48 was seen testing support at 757.97, in modest trading which involved further selling by foreign investors.

Mr Michele Pacitti at NatWest Securities noted that the current downturn had accompanied the drying up of the high levels of liquidity that had driven the market higher after the general election at the end of March.

Fiat lost L166 or 2.4 per cent to L6,687 but Olivetti picked up from a day's low of L2,740 to finish down L44 at L2,822.

Against the trend, Italmobiliare rose L927 to L48,330 on the view that recent falls had been overdone. Assitalia added L282 to L18,150 in response to the the Berlusconi government's statement that it would stick to the planned privatisation schedule of the insurer's parent, INA. Nuovo Pignone rose L60 to L6,750 as ENI complete the sale of a majority stake to General Electric of the US.

MADRID's midsession recovery foundered on weakness on Wall Street, and the general index closed 0.29 lower at 337.91 after a high of 339.36. Turnover fell to Pta22.7bn as attention focused on second rank stocks.

TEL AVIV had another bad day. Israel's central bank raised interest rates by half a percentage point in an effort to stem rising inflation and housing costs, and the Mishtanim index slid by 5.14, or 2.55 per cent to 196.20.

This followed a 2.4 per cent fall on Sunday, after Israel Radio broadcast more excerpts from a controversial speech which Mr Yasser Arafat, the PLO chairman, made in a Johannesburg mosque on May 10. The radio said that Mr Arafat's remarks put into doubt his commitment to the deal on Palestinian self-rule.

ATHENS fell 2.8 per cent, driven down by one month interbank rates that remained above 140 per cent and a liquidity shortage due to pressures on the drachma.

The general index closed 25.91 lower at 887.08 in active volume of 1.3m shares.

WARSAW extended its recent gains, the Wig index rising by 423, or 3.6 per cent, to 12,240.8.

Brokers liked the fact that most stocks were appreciating moderately, but with foreign investors remaining on the sidelines there were also fears that profit-taking could interrupt the uptrend.

Written and edited by William Cochrane and Michael Morgan

SOUTH AFRICA

Early gains were pared in Johannesburg as worries emerged that the higher bullion price would not hold and in response to initial Wall Street weakness. The undertone remained firm, however, although many investors were thought to be awaiting direction from today's speech to parliament by Mr Nelson Mandela.

The overall index was 50 better at 5,524, industrials added 19 to 6,640 and golds put on 82 or 4.3 per cent, to 1,990.

Barlows rose 85 cents to R39 in response to its higher half-year profits. Tobacco stocks remained under pressure.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+1.69	+0.04	+27.53	-7.57	-4.63	-2.67
Belgium	+0.33	+2.56	+22.41	+1.74	+6.36	+8.55
Denmark	-0.57	-1.77	+20.33	-1.72	+1.68	+3.77
Finland	+0.62	+4.61	+55.65	+17.52	+24.07	+26.61
France	-1.32	+0.81	+20.64	-4.04	-1.37	+0.65
Germany	-0.73	+0.63	+33.72	-1.86	+1.42	+3.52
Ireland	+1.00	-1.89	+20.68	-3.10	+0.36	+2.42
Italy	-4.22	-0.54	+37.76	+25.38	+33.12	+35.85
Netherlands	-0.78	-2.29	+26.60	-2.62	+0.36	+2.41
Norway	+0.86	+1.87	+33.14	+6.94	+10.56	+12.83
Spain	+2.47	+6.23	+28.01	+2.44	+5.47	+7.64
Sweden	-0.37	+4.92	+36.05	+7.61	+14.63	+16.98
Switzerland	+1.87	-1.76	+24.33	-5.69	-2.33	-0.32
UK	+0.12	-0.58	+11.86	-7.62	-7.62	-5.73
EUROPE	-0.29	+0.07	+21.49	-2.87	-0.65	+1.40
Australia	+1.83	+3.80	+25.13	-2.12	+2.89	+5.00
Hong Kong	+5.35	+5.42	+36.47	-19.38	-20.98	-19.35
Japan	+0.10	+2.04	+4.36	+13.44	+19.39	+21.84
Malaysia	-0.71	-5.75	+40.60	-22.31	-20.79	-19.17
New Zealand	+2.02	+3.14	+30.49	-2.73	-0.01	+2.05
Singapore	+2.59	+2.45	+32.26	-8.23	-5.95	-4.02
Canada	+3.28	+3.40	+11.30	+0.62	-5.17	-3.22
USA	+2.46	+1.66	+0.67	-2.36	-4.32	-2.36
Mexico	+7.28	+12.97	+44.85	-7.93	-15.52	-13.79
South Africa	-1.95	+7.74	+38.78	+11.35	-4.96	-3.01
WORLD INDEX	+1.05	+1.58	+8.63	+1.08	+2.10	+4.20

† Based on May 20th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and NatWest Securities Limited.

America led the way last week, the only sizeable impetus as the FT-Actuaries World index rose by 1.05 per cent.

US stocks climbed on the tightening of US monetary policy. Canada followed its neighbour, but its equity market got an additional boost from its base metal content.

Mexico, depressed this year, and extremely sensitive to interest rate action, gained most. In part, this was a pragmatic response to the performance of the ruling party's presidential candidate, Mr Ernesto Zedillo, in an earlier, televised debate.

FT-SE Actuaries Share Indices

May 23 — THE EUROPEAN SERIES

Hourly changes	Open†	10.30†	11.00†	12.00†	13.00†	14.00†	15.00†	Close†
FT-SE Eurotrack 100	1453.21	1452.58	1451.47	1449.68	1449.42	1448.19	1447.99	1448.42
FT-SE Eurotrack 200	1466.88	1468.84	1468.66	1467.58	1467.27	1467.60	1467.78	1466.75

	May 20	May 19	May 18	May 17	May 16
FT-SE Eurotrack 100	1456.87	1466.18	1478.09	1478.21	1471.75
FT-SE Eurotrack 200	1474.20	1480.47	1489.45	1488.64	1485.61

Base 1000 (26/10/90); High/day: 100 - 1453.21; 200 - 1468.95 Low/day: 100 - 1447.47 200 - 1466.35 † Partial.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MAY 20 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY MAY 19 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	175.22	0.5	172.05	115.09	149.97	160.05	0.6	3.42	174.28	171.37	114.65	149.97	159.10	189.15	130.19	134.72
Austria (17)	180.04	0.9	176.78	118.26	154.09	153.94	0.4	1.06	178.35	175.37	117.32	153.47	153.36	195.41	140.14	144.03
Belgium (42)	176.56	1.1	173.36	115.97	151.11	147.53	0.6	3.73	174.57	171.65	114.83	150.21	146.67	176.67	141.92	147.42
Canada (106)	131.42	0.4	129.04	86.32	112.48	131.00	0.5	2.57	130.92	128.72	86.12	112.65	130.41	145.31	121.46	126.19
Denmark (33)	256.53	1.1	251.89	168.49	219.56	224.53	0.5	1.31	253.69	249.44	166.88	218.29	223.53	275.79	207.58	221.72
Finland (23)	155.98	0.7	153.16	102.45	133.50	175.96	0.0	0.83	154.94	152.34	101.92	133.32	175.98	156.72	85.54	97.90
France (98)	177.24	0.2	174.04	116.42	151.70	156.52	-0.5	2.88	176.96	173.99	116.40	152.26	157.24	185.37	149.60	151.92
Germany (58)	145.17	0.3	142.54	95.35	124.25	124.25	-0.2	1.86	144.66	142.24	95.16	124.48	124.48	147.07	107.59	110.77
Hong Kong (56)	394.61	2.6	387.47	259.19	337.75	391.37	2.6	2.72	384.65	378.21	253.03	330.99	381.49	506.56	271.42	289.03
Ireland (14)	189.69	0.9	186.26	124.59	162.36	179.45	0.4	3.36	187.96	184.81	123.64	161.74	178.74	209.33	155.93	159.67
Italy (60)	93.18	-1.0	91.49	61.20	79.75	109.95	-1.3	1.41	94.10	92.52	61.90	80.97	111.42	97.78	57.88	72.82
Japan (469)	158.55	0.7	155.68	104.14	135.70	104.14	0.6	0.77	157.39	154.76	103.53	135.43	103.53	165.91	124.54	142.87
Malaysia (98)	478.15	0.3	469.51	314.07	409.26	478.83	0.1	1.40	476.83	468.85	313.67	410.31	476.47	621.63	312.51	343.03
Mexico (18)	2058.47	1.2	2021.24	1352.08	1761.82	7485.33	1.0	1.04	2033.06	1999.00	1337.36	1749.37	7388.73	2647.08	1431.17	1514.71
Netherland (26)	203.91	-0.7	200.23	133.94	174.53	171.67	-1.3	3.27	205.39	201.95	135.11	176.74	174.14	207.43	164.14	164.33
New Zealand (14)	69.30	0.5	68.04	45.52	59.31	62.70	0.3	3.81	68.94	67.79	45.35	59.32	62.48	77.59	48.57	49.00
Norway (23)	202.68	1.1	199.02	133.13	173.47	196.10	0.5	1.69	200.56	197.20	131.93	172.57	195.07	206.42	150.61	159.00
Singapore (44)	352.77	-0.2	346.40	231.71	301.94	250.08	0.1	1.52	353.50	347.58	232.54	304.18	249.88	378.92	242.46	254.29
South Africa (59)	259.10	0.5	254.41	170.18	221.76	278.91	0.4	2.22	257.84	253.52	169.61	221.86	277.83	280.26	175.93	200.98
Spain (42)	149.99	1.4	147.28	98.52	128.37	154.56	1.1	3.86	147.93	145.45	97.31	127.29	152.95	155.79	116.33	129.21
Sweden (36)	229.72	-0.7	225.57	150.89	196.62	260.76	-1.0	1.53	231.35	227.48	152.19	199.07	263.36	231.35	163.85	177.18
Switzerland (47)	159.83	0.7	156.74	104.85	136.62	139.05	0.3	1.75	158.58	155.90	104.30	136.43	138.61	176.56	122.57	123.14
United Kingdom (205)	193.31	0.2	189.82	126.98	165.46	189.82	0.1	3.92	192.91	189.68	126.90	166.00	189.68	214.96	170.32	178.10
USA (518)	185.43	-0.3	182.08	121.80	158.71	185.43	-0.3	2.86	185.92	182.81	122.30	159.98	185.92	196.04	178.95	184.18
EUROPE (724)	171.94	0.2	168.83	112.94	147.16	160.33	-0.2	2.89	171.63	168.76	112.90	147.68	160.62	178.58	141.58	145.29
Nordic (115)	217.45	0.0	213.52	142.83	186.11	215.37	-0.4	1.39	217.39	213.74	143.00	187.05	216.27	220.60	155.82	167.89
Pacific Basin (750)	167.53	0.8	164.50	110.04	143.39	114.48	0.7	1.06	166.19	163.40	109.32	143.00	113.70	169.80	134.79	147.06
Euro-Pacific (1474)	169.21	0.5	166.15	111.14	144.82	132.58	0.3	1.83	168.30	165.48	110.71	144.81	132.16	170.78	141.98	148.22
North America (626)	182.08	-0.2	178.79	119.59	155.84	181.67	-0.2	2.87	182.51	179.45	120.05	157.04	182.09	192.73	175.67	180.71
Europe Ex. UK (518)	156.35	0.2	153.52	102.69	133.82	141.74	-0.3	2.26	156.08	153.48	102.68	134.31	142.21	157.47	122.37	125.12
Pacific Ex. Japan (261)	255.18	1.2	250.57	167.61	218.41	229.73	1.2	2.56	252.18	247.96	165.89	217.00	227.03	296.21	182.38	188.42
World Ex. US (1657)	170.17	0.6	167.10	111.77	145.65	135.85	0.3	1.85	169.25	166.42	111.33	145.63	135.41	172.51	142.94	147.01
World Ex. UK (1971)	172.37	0.3	169.25	113.21	147.53	147.64	0.1	2.08	171.91	169.03	113.08	147.92	147.46	175.58	153.22	156.59
World Ex. So. Af. (2117)	173.73	0.3	170.58	114.11	148.69	150.50	0.1	2.21	173.26	170.36	113.98	149.10	150.32	178.56	155.00	158.30
World Ex. Japan (1707)	184.61	0.1	181.27	121.26	158.01	176.80	-0.1	2.82	184.51	181.42	121.37	158.76	178.94	195.20	165.72	166.57
The World Index (2176)	174.22	0.3	171.07	114.43	149.12	151.47	0.1	2.21	173.77	170.86	114.31	149.52	151.28	176.97	155.17	158.49

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Amendments to indices 20/5/94 relate to France. Latest prices were unavailable for this edition.

MBOs

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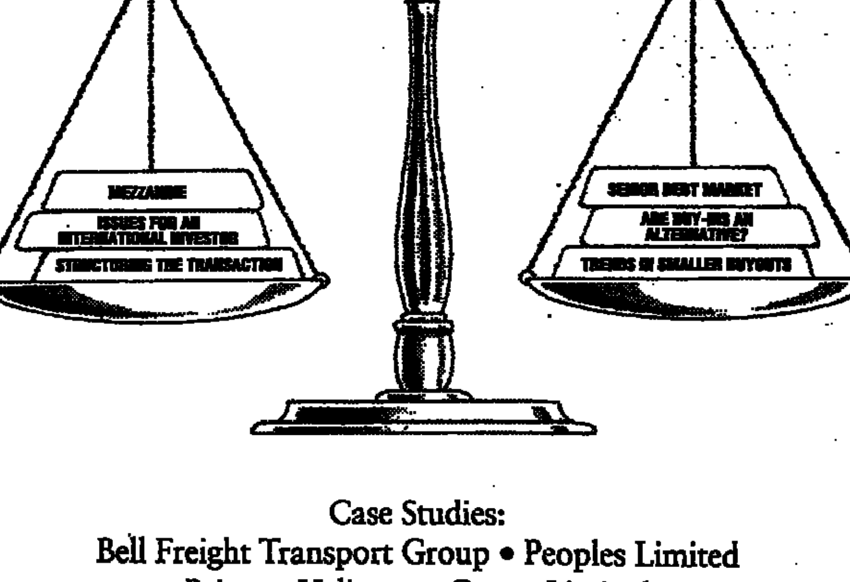

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